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Scotch Whisky

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WORLD NEWS

Teachers' action may spare exams

National Union of Teachers leaders will today urge their annual conference to intensify strike action over pay next term without hitting examinations.

The NUT executive will recommend that standing pay policy be reaffirmed. This includes a refusal to go to arbitration, which means hopes for an early settlement could be disappointed.

Conference will be urged to concentrate the pay campaign in "sensitive constituencies"—perhaps those of Ministers. Page 6

Fewer unemployed

The number of people out of work fell by 36,000 last month, but the underlying trend is still upwards, latest figures show. Back Page

Reagan plan denounced

President Reagan's Central American peace proposals were rejected by Nicaragua and called "a dirty trick" by U.S. House speaker Tip O'Neill. Page 3

Sudan cut off

Sudan is virtually cut off as a general strike and demonstrations threaten the rule of President Jaafar Nimeiri. Rebels said they were holding talks with the armed forces. Page 3

Surgery for Neves

Brazil's President-elect Tancredino Neves was said to be staging a modest recovery after his fifth operation in three weeks. Page 3

Miners study new rules

The NUM executive gave provisional approval to a new draft of its rule book, bringing it in line with the 1984 Trade Union Act. Back Page

Customs action starts

Customs and Excise staff began working to rule. No serious problems were reported at most British ports, but passengers and cargo may encounter difficulties on Monday.

35 killed on trains

At least 35 people travelling on top of two trains were killed, and 23 hurt, when they were hit by scaffolding over a bridge on the Yamuna River, north India.

Missile hits Baghdad

Baghdad was struck by an Iranian missile, the ninth in three weeks, after a two-day lull in attacks on civilians. Page 2

S Africa police boost

South Africa's police will be backed up by the railway police and army, as part of new arrangements to strengthen law enforcement and riot control. Page 2

Korean talks to resume

North and South Korea agreed to reopen economic and Red Cross talks called off in January. Page 2

Financial Times

The Financial Times will not be published on Easter Monday. The next issue will be on Tuesday.

We apologise to readers, advertisers and distributors for Thursday's shortage of the FT. This was due to mechanical problems in the production area.

BUSINESS SUMMARY

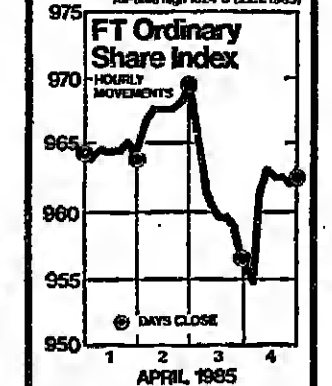
£99m issue launched by Saatchi

SAATCHI & SAATCHI, Britain's biggest advertising agency, surprised the City with a £99m share issue, a forecast of double profits and news that it had bought two U.S. co-ventures, one dealing with sales promotion, one with design. The acquisitions mark a further stage in the company's drive to diversify. Back Page and Lex; Details, Page 20

CHEMICAL NEW YORK, U.S. banking group, has signed a letter of intent with the State of Ohio to acquire the business of Home State Savings Bank of Cincinnati, which revealed losses last month in connection with the failure of ESM Government Securities.

PRESIDENT REAGAN took the first step towards a compromise with Congress on measures to cut the federal budget deficit by agreeing to support a package which would reduce the growth in defence spending and outlays for the government pension scheme. Back Page

EQUITIES opened cautiously on Thursday, threatening to exceed Wednesday's downturn, but rallied later in light, pre-holiday trading. The FT Ordinary Share Index



trading, down 1.5 at 10 am, closed 6 points higher on the day at 962.5. Page 24

GAS: The Government rejected revised proposals for piping natural gas from Dublin to Belfast, deciding instead to spend £97m closing Northern Ireland's gas industry. Page 5

PAY: Banking, Insurance and Finance Union members voted by more than two to one to reject a final 5.5 per cent pay offer for clerical staff at the main English clearing banks. Page 6

UK NEW CAR registrations in the first three months of this year reached 503,148, a first quarter record, according to the Society of Motor Manufacturers and Traders. Page 6

FRANCE is to reactivate the Eurobond market for French firms in a further relaxation of the country's exchange controls. Page 2

FINANCE BILL is to be published on Tuesday, April 16, the Treasury announced.

NEW YORK Stock Exchange named Robert Birbaum, currently head of the rival American Stock Exchange, as president, chief operating officer and NYSE board member from May 6. Page 21

S. & W. BERISFORD, sugar processor and commodity trader, announced the \$33m (£27.6m) acquisition of NCI International Precious Metals, New York-based trader. Page 20

Honda and BL seek to strengthen link

BY PETER RIDDELL AND JOHN GRIFFITHS

BL AND HONDA are well advanced in talks about a far more extensive link-up than so far realised. But agreement is being complicated by the Government's tough line over future financing of Austin Rover, BL's volume car subsidiary.

The main proposal is that Austin Rover should sub-contract its under-used production lines to assemble Honda models, and that the two companies would jointly develop a new medium-car, ie practice replacing the Maestro.

Honda would as a result gain the assembly facilities necessary for its assault on the European market. The Japanese group would move ahead rapidly to produce engines at the 330-acre site it has acquired at Swindon, Wiltshire, but plans to assemble vehicles at Swindon would be put on ice.

The whole issue has become one of considerable political sensitivity. The Department of Trade and Industry has made no secret of the particularly close scrutiny it has given to the BL corporate plan, which was submitted in December. Its priority is to establish that the UK business is on a sound basis.

Ministers, including Mr Norman Tebbit, the Trade and Industry Secretary, have

attested that no more state money can be made available to BL, either directly or through underwriting of new borrowing. Pointing to Austin Rover's poor sales and profit performance, ministers insist that all targets in the new corporate plan must be "realistic".

The concern in Whitehall has been reinforced by March sales figures released by the Society of Motor Manufacturers and Traders showing that Austin Rover, even with incentive schemes on the Metro and Montego, had only a 16.5 per cent market share. In the first quarter it was behind not only the market-leader, Ford, but had dropped to third place behind Vauxhall.

The Government strongly supports collaborative ventures such as BL's link with Honda, but wants to be sure that any link-up would generate sufficient funds to support its product development programme.

The outcome is likely to determine the whole future structure of BL and Opposition MPs have expressed concern that the collaboration would amount to takeover of Austin Rover by Honda, and disappearance of the last remaining British volume car producer.

Mr John Smith, Labour's Trade and Industry spokesman,

has urged the Government to make clear its commitment to the genuine independence of Austin Rover.

BL refused yesterday to comment on the reported link-up. However, the company has in the past stressed its belief in collaboration, and particularly its continuing talks with Honda. It is understood that no answer has been received from Whitehall to the corporate plan.

Honda said in Tokyo that no decision on joint development of a medium-size car had yet been taken. It is understood that the two companies have been hoping to announce an agreement next Thursday, the day before Mr Tadashi Kume, Honda's president, performs the ground-breaking ceremony at Swindon.

BL and Honda are already co-operating on the XX model, an executive car likely to be launched in the UK in spring 1986.

An extensive link-up with Honda would substantially reduce Austin Rover's investment costs and provide the volume of output necessary to make production more profitable at the Longbridge and Cowley plants. These factories have a capacity of 750,000 cars a year, but the target for this year is for sales of 435,000.

Record car sales, Page 6

UK and Malaysia in air deal

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN KUALA LUMPUR

MRS MARGARET THATCHER'S lightning tour of six South-East Asian and South Asian countries started well yesterday in Malaysia with Dr Mahathir Mohamad, the Malaysian Prime Minister on his demand for extra air services between Kuala Lumpur and London.

British satisfaction at the quick advance was tempered by several hard-headed, even hostile, remarks by Dr Mahathir about international relations and the Commonwealth in particular.

He said Malaysia had learnt that the world cared little for the Commonwealth to fourth place in its priorities because its ideals of shared wealth had not been fulfilled. Though the Commonwealth as originally conceived was a creature of the past, however, that had not prevented Britain and Malaysia settling on well.

At talks lasting 90 minutes the two Prime Ministers an-

nounced to a plenary meeting of their national delegations that they agreed in principle on a fifth weekly flight by Malaysian Airline Systems (MAS) from Kuala Lumpur to London.

A joint statement issued after the meeting said similar rights would be granted to British Airways if requested and that further detailed talks would be held later. The quick pro quo for Britain's concession, about which British Airways has had doubts, is that Dr Mahathir has undertaken to actively consider abolition of what other airlines consider a discriminatory Malaysian tax measure favouring passengers who fly MAS rather than any other airline.

Though Dr Mahathir did not give a firm commitment that the discrimination would be ended, British officials were confident the problems would be solved soon on terms acceptable to all airlines involved.

The agreement on air communications set the terms for

the rest of the talks, described by officials as taking place in a good atmosphere.

A period of tension began in 1981 when Dr Mahathir urged compatriots to "buy British" in retaliation against Britain raising overseas students' tuition fees and its sharp reaction to Malaysia's policy of taking over foreign companies. That period appears to be ending.

Tengku Razaleigh Hamzah, Malaysia's Minister of Trade and Industry, made clear that his government, far from discriminating against Britain, was anxious to see an increase in British investment in sectors such as rubber, machine-tools, electrical equipment and ceramics.

It would also welcome joint Anglo-Malaysian ventures on military and civil aircraft equipment, railway equipment, high technology of various kinds, water supply and artificial protein-extraction from methanol.

Company to exploit Porton research

BY DAVID FISLOCK, SCIENCE EDITOR

PORTON INTERNATIONAL, an unquoted UK company, backed by some of the biggest institutions in the City, has secured exclusive rights to exploit the research of a unique British government laboratory considered a world leader in biotechnology.

In a written answer to Parliament on Thursday, the Government approved a 13-year agreement between the company and the Centre for Applied Microbiology and Research (CAMR) at Porton near Salisbury.

CAMR, once the Ministry of Defence's famous Porton Laboratory for germ warfare, became a national laboratory of the Public Health Laboratory Service of the Department of Health in 1979.

Since then, it has had a government brief to make and sell its "biologicals," such as vaccines and treatments for infectious diseases and cancer.

Porton International, with headquarters in London and Washington, has the backing of

15 City institutions, among them the pension funds of Barclays Bank, Esso, ICI, Imperial Group and Legal and General.

A year after its formation, Porton International said it was valued at more than £50m. It has since grown very rapidly.

The government laboratory, under the direction of Dr Peter Suttee, becomes an important centre of research for the new company, which has already moved many of its own staff there.

The Government canvassed widely for commercial partners within British industry before making Porton International its "single preferred choice."

According to a joint statement from the company and the board of the Public Health Laboratory Service, the company has been chosen for its capacity to mount broad-based marketing and distribution operations for the laboratory's products.

The DHSS has funded construction of a £3.5m production

centre for biologicals. This is expected to come into service this year, and will make the vaccine for the prevention and treatment of hepatitis simpler to develop by Dr Gordon Skinner at Birmingham University, for which Porton International already had marketing rights.

Its new blanket agreement, the fruit of two years' negotiations, gives the company exclusive rights to all CAMR products and processes until October 1998, and thereafter unless one party wishes to end it.

Porton International believes CAMR has a higher reputation overseas—especially in the U.S.—than at home for the quality of its biotechnology. In Britain, past associations with germ warfare obscure the issue.

The company has high expectations of several specific areas of the laboratory's research, particularly its range of special biological tools for genetic engineers attempting to modify microbes, and its new enzymes, proteins and vaccines.

Satellite television project threatened

By Raymond Snoddy

THE Government's decision to investigate the possibility of advertising on the BBC will certainly delay — and may finally undermine — Britain's ambitious direct broadcasting by satellite (DBS) project.

Some senior ITV executives believe that there is no possibility that they could invest in a risky project that could cost as much as £500m if ITV, which is due to take a 30 per cent stake in DBS, is to lose its present advertising monopoly. A decision on ITV participation may therefore simply be delayed until the Government's verdict on BBC advertising is known.

"I don't believe there will be a concrete proposal on DBS put forward this year and if there is I would put a lot of money on the fact that my board would not be willing to invest in it," a senior executive of a major ITV company said.

The ITV companies have yet to meet to decide on a corporate view of DBS but early indications are that some at least will see the Peacock Committee, which is carrying out the investigation, as a welcome pretext for further delay.

"The Government has shot itself in the foot so often there are no feet left. I am totally bewildered as to what the Government broadcasting policy now is," said a senior executive of an ITV company which has in the past been bullish about the concept of DBS.

There is a growing fear that the "21 Club," which makes up the DBS consortium—the BBC, the 15 ITV companies and five non-broadcasting organisations led by Thorn EMI—may prove too unwieldy to cope with the present uncertainty.

"I would be surprised if the 21 Club is going to survive this. I think a phoenix will rise from the ashes but it will not have so many participants," said one leading ITV executive.

Another senior OTV manager who believes that independence will be defended territory, Page 6

Mitterrand quick to replace Rocard after resignation

BY PAUL BETTS IN PARIS

PRESIDENT Francois Mitterrand has wasted no time in replacing M Michel Rocard, the French agriculture minister who has shaken the socialist party by his dramatic resignation from the government in the early hours of Thursday morning.

M Rocard, who has for some time been at the top of French opinion polls as the country's most popular political leader, resigned in protest against President Mitterrand's plan to change the French voting system by replacing the current majority "winner takes all" system with proportional representation.

Candidate

The resignation frees M Rocard to stand as a potential candidate for the 1988 presidential elections. M Rocard had put himself forward as a Socialist presidential candidate in October 1980 to the irritation of M Mitterrand and numerous factions in the party.

In an effort to show that M Rocard's resignation has not undermined the continuity of the government, President Mitterrand had named M Henri Nallet, his advisor on agricultural matters at the Elysée, to replace the former agriculture minister. M Nallet formally took over the portfolio yesterday.

His appointment was generally welcomed by the industrial, farming, and community. M Nallet, aged 46, has wide-spread experience of agriculture and was an assistant in 1970 to M Michel Debré, then the president of the main French farmers' union.

M Francois Guillaume, the farmers' union current president, welcomed the appointment of the new minister while regretting that M Rocard was abandoning his post at a crucial moment in the EEC farm price negotiations.

M Rocard's resignation has provoked a storm in the Socialist Party. The former agriculture minister has been accused of stabbing the party in

the back.

The spectacular gesture of M Rocard delighted the French right-wing opposition parties which are mounting a major campaign to try to block President Mitterrand's proposed reform. The opposition sees the introduction of proportional representation as an attempt by M Mitterrand to rob them of a clear-cut victory in the 1988 parliamentary elections and maintain himself in the Elysée until the 1988 Presidential elections.

In his first lengthy explanation of the reasons for his resignation, M Rocard wrote in a lengthy front-page article published in Le Monde yesterday that he resigned on a matter of principle.

He denied there were any ulterior motives in his decision but that he felt France needed firm and efficient government, which the electoral reform threatened.

Without mentioning M Rocard, President Mitterrand argued that political stability or instability in France did not directly depend on the voting system. He suggested that the Third Republic, with majority voting systems and the Fourth Republic with proportional representation had both been equally unstable.

Overtaken

M Laurent Fabius, the socialist Prime Minister who has been rising steadily in the public opinion polls, made no comment on the Rocard resignation before setting off on a Far East tour. He overtook M Rocard for the first time yesterday in the public opinion polls.

In a poll regularly published by *Sofres-Figaro* magazine on the most popular political figure in France, M Fabius yesterday came first with 57 per cent ahead of M Rocard with 51 per cent. The previous month M Rocard with 55 per cent still had a small lead over M Fabius with 54 per cent.

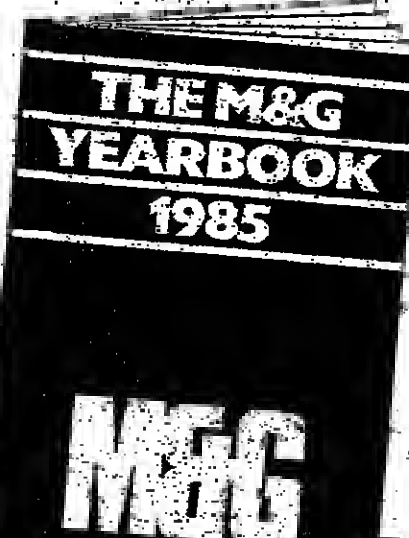
Rocard's gift to the right, Page 19
France re-opens bond market, Page 2

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SwFr 2.574
Y254.85
London:
DM 3.174 (3.1235)
FFr 9.69 (9.636)
SwFr 2.685 (2.6465)
Y254.4 (253.2)
Dollar Index 148.9 (147.1)
Tokyo close Y254.7
U.S. CLOSING RATES*
Fed Funds 8 1/4
3-month Treasury Bills:
8 1/4
Long Bond: 96 1/2
yield: 11.62
GOLD*
New York Comex April
\$317.1 (\$321.6)
London \$317 (\$319)

STERLING
New York lunchtime \$1.1985
London \$1.1965 (1.2135)
DM 3.79 (3.8)
FFr 11.555 (11.585)
SwFr 3.2075 (3.205)
Y304 (307)
Sterling Index 78.3 (77.1)
LONDON MONEY*
3-month interbank:
closing rate 13 1/4% (13 1/4)
3-month eligible bills:
buying rate 12 1/4% (12 29/64ths)
STOCK INDICES
FT Ord* 962.5 (+6)
FT All Share* 618.7
FT-SE 100* 1278.5 (+3.7)
FT-A long gilt yield index:
High coupon* 10.59 (10.56)
New York:
DJ Ind Av* 1,259.05 (+0.92)
Tokyo:
Nikkei Dow 12,544.24 (-82.86)

* Figures for Thursday, April 4

Chief price changes on Thursday, Back Page
CONTINENTAL SELLING PRICES: Austria Sch 15; Belgium Fr 25; Denmark Kr 7.25; France Fr 6.00; W. Germany DM 2.30; Italy L. 300; Netherlands Fl 2.50; Norway Kr 6.00; Portugal Esc 80; Spain Ptas 110; Sweden Kr 6.50; Switzerland Fr 2.30; Ireland Spm; Malta 30c.

John 201550

MOVE TO EASE FOREIGN EXCHANGE CURBS

France to revive Eurofranc market

BY PAUL BETTS IN PARIS

THE French government has decided to reactivate the Eurofranc market for French francs in a further modest relaxation of the country's stringent foreign exchange controls.

Senior government officials said that the so-called Eurofranc market would be re-opened "imminently." M. Pierre Bérégovoy, Finance and Economy Minister, held a meeting with the leading French banks on Wednesday to ensure an orderly reopening of the market.

The Eurofranc market has had a chequered history, suffering several starts and closures since the late 1960s mirroring the mixed fortunes of the French currency.

Successful attempts have been made to get a French franc Euromarket going in 1967, 1971, 1975 and 1979.

The last attempt came to a sudden end when the Eurofranc market dried up virtually overnight after the Left came to

power in May 1981.

But the relative stability of the French currency within the European Monetary System (EMS) in recent months, coupled with last year's improvement in the country's overall balance of payments, has now prompted the monetary authorities to re-open the Eurofranc market.

The French authorities see the move as a further way of boosting confidence in the French currency. It follows a series of other relatively modest steps gradually to loosen foreign exchange controls since last summer.

The reopening of the Eurofranc market will again enable French enterprises to issue French franc Eurobonds.

Already Gaz de France, the utility, is proposing to tap the new Eurofranc market with a first Fr 500m (£43m) issue managed by the Credit Commercial de France (CCF). This issue—the first since 1981—is

expected to be floated next week.

Apart from signalling a further relaxation of exchange controls, the reopening of the Eurofranc market is also part of the Government's efforts to reform, modernise and deregulate French financial markets and offer borrowers and investors a wider range of financial instruments.

The Government recently introduced Certificates of Deposit (CDs) for the first time in France, is launching financial futures and stock option trading this year, and is now proposing to reform the mortgage market to enlarge access to this long-term market.

Government officials said that M. Bérégovoy was expected to draw up recommendations for the reform of the mortgage market in the next two months.

The decision to reactivate the Eurofranc market is also seen as a goodwill gesture on the part of Paris before the meeting of

EEC finance ministers this month in Palermo, to discuss the future of the European Currency Unit (Ecu) closer monetary co-operation, and the integration of financial markets.

By showing its willingness to continue with its current policy of gradual relaxation of exchange controls, the French Government appears to be hoping to win concessions from West Germany to bolster the use of the Ecu.

Although the French banking system would ideally like the Eurofranc market to be completely open, the French Treasury is expected to try to maintain a tight control of the market.

The Treasury is expected to seek to control the calendar of new issues to avoid distortions in the market.

However, officials indicate that the authorities would actively encourage borrowers to use the Eurofranc market.

Government may buy Hellenic Shipyards

By Andriana Ierodiconou in Athens

THE GREEK Socialist Government is considering a \$14m (£12.7m) offer by the Greek shipping magnate, Mr. Stavros Niarchos, for the sale of Hellenic Shipyards, which is set to close on Monday with the loss of 4,800 jobs.

The yard, established in 1956 at Skaramangas, west of Athens, is one of Greece's biggest industrial employers.

The offer was made after negotiations collapsed between Hellenic Shipyards and the Government, on ways for the yard to continue operating under its present management.

The negotiation is reported to have broken down, after the yard's losses over the past three years are estimated to have reached \$42m (£38m).

Left-wing trade unionists, backed by the Communist Party of Greece, have been pressing the Government to save jobs by nationalising the yard ever since the management announced the intention to "suspend operations" last Tuesday.

To step up pressure, the Socialist-led General Confederation of Greek Workers, the country's equivalent of Britain's Trades Union Congress, staged a two-hour general strike in the port of Piraeus on Thursday.

The Government, which has said it will decide on the sale offer as soon as it has examined Hellenic Shipyards' financial situation, is on the horns of a dilemma.

Politically, the Socialists could allow the yard to close with a mass loss of jobs, just two months before the expected early general elections in June.

Financially, they can equally ill-afford to add Hellenic Shipyards to the more than 30 enterprises whose management has already been taken over by the Government in a bid to curb rising unemployment—officially 10 per cent nationwide.

A company Press announcement said that Mr. Niarchos, pledged to help the Government during the management change, so that the yard would continue to be "useful to the country and the economy."

According to the announcement, the net worth of Hellenic Shipyards is \$100m, and the cost of building the facility today would be \$300m.

Opposition calls rally in Athens

By Our Athens Correspondent

GREECE'S CONSERVATIVE opposition called voters nationwide to a mass demonstration in the centre of Athens yesterday, in an advance bid to challenge the strength before the expected early general elections next June.

The demonstration was inspired by last week's controversial election of a new Greek President by the Parliament.

The rally was scheduled to take place in Constitution Square, just outside the Parliament buildings. The Conservatives have declared the Presidential election unconstitutional.

One of the main themes of the rally was the challenge addressed by the Conservatives to the Socialist Government for early general elections—has since been neutralised by the Prime Minister, Dr. Andreas Papandreu, who bowed to the opposition's demands two days ago.

The Prime Minister has submitted a request to the President for early elections in June, several months before the end of the Socialist term in October.

Mr. Constantine Mitsotakis, leader of the conservative New Democracy Party, who was scheduled to address the demonstration, was expected to focus on the Government's controversial handling of the presidential elections, which installed Mr. Christos Sartzetakis, the Socialist-backed candidate, as head of state.

The Conservatives have accused the Government of violating the secrecy of the ballot prescribed by the constitution—by introducing coloured ballot slips in the voting.

They have also questioned the decisive vote of the acting president, a Socialist Deputy, whose right to cast a ballot was in doubt under the constitution.

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Jordan political changes aim at progress on peace

BY RICHARD JOHNS

KING HUSSEIN of Jordan has appointed Mr. Zaid Rifai as the country's Prime Minister and reshuffled the Cabinet in a change apparently related to his drive to bring about negotiations aimed at a comprehensive settlement in the Middle East.

Mr. Rifai, 49, is a life-long friend of the Hashemite monarch and replaces Mr. Ahmed Obaidat who submitted his resignation on Thursday night.

Harvard-educated, Mr. Rifai is known for his pro-U.S. thinking but, equally significant, he had very good relations during his previous stint as premier from 1973 to 1976 with Syria and developed close co-ordination with the regime of President Hafez al-Assad, who has been bitterly at odds with King Hussein for several years.

Recently Damascus has attacked the February 11 agreement between King Hussein and Mr. Yasser Arafat, chairman of the Palestine Liberation Organisation, on which the latest peace initiative started by Jordan and backed by Egypt is based.

Under the accord aimed at reintegrating efforts towards Middle East settlement through the good offices of the U.S., land occupied by Israel in 1967 would be recovered in exchange for a peace treaty with the Jewish state. As a first stage, King Hussein and Mr. Arafat have proposed that a joint PLO-Jordanian delegation should hold talks with the U.S. in preparation for negotiations with Israel.

Mr. Rifai also takes over the Ministry of Defence, a decision seen by some observers in Amman as connected with Jordan's difficulties in obtaining weapons supplies from the U.S. in the face of the Jewish lobby and Congressional opposition.

The reshuffle is notable for the fact that it brings the number of Palestinians, who make up 60 per cent of Jordan's population to at least nine out of 21. One of them, Mr. Taher al Masri, remains Foreign Minister.

No reason was given for Mr. Obaidat's resignation but in appointing Mr. Rifai, King Hussein stressed that a balance must be maintained between different sectors of Jordanian society—an apparent reference to the Palestinians.

Mr. Rifai put internal security and economic and social welfare as the first priority of his administration, so that the "citizen may live secure, without fear for his life, interests, freedom or future."

Baghdad hit by another missile from Iran

BY OUR MIDDLE EAST STAFF

BAGHDAD was struck by another Iranian missile yesterday afternoon, the ninth fired at the Iraqi capital over the past three weeks or so, as attacks on civilian population centres escalated again after a two-day lull.

The blast was clearly heard in the city, though the location and damage were not immediately clear. Earlier, an Iranian spokesman in Tehran had warned that a missile would be fired at Baghdad and warned the citizens to flee or they would "burn in the fiery wrath of our combatants."

In retaliation against Iraqi air attacks, Iran had previously said that aircraft had bombed the Iraqi towns of Diyanah, Jassan, and Shirvan-Mazin while its artillery had shelled the southern port city of Basra.

The attacks followed an Iraqi claim that it had launched three missile attacks against the cities of Kermanshah (renamed Bakhtar) and Hamadan on Thursday, as well as air raids on

Iranian troop concentrations. Official reports from Tehran made no mention of Hsmandan, 160 miles from the border but said that a missile attack on Kermanshah, 63 miles within Iranian territory had killed 25 people and injured more than 70.

There was no independent confirmation of another claim by a military spokesman in Baghdad to the effect that Iraqi aircraft had struck "a large naval target" near the oil terminal of Kharg Island.

An official Iranian statement accused Iraq of being indifferent to international attempts to halt attacks on civilian populations—a reference to current mediation bids by Mr. Rajiv Gandhi, the Indian Prime Minister who is current chairman of the Non-Aligned Movement, and Sr. Javier Perez de Cuellar, UN Secretary-General.

Iran, is continuing to resist diplomatic moves aimed at bringing about negotiations—which Iraq wants—to end the 54-month-old conflict.

Death toll up as Moslems, Christians clash in Sidon

Christian militiamen clashed with Moslem and Palestinian fighters in Sidon yesterday, and there were reports of renewed Syrian pressure for an end to the fighting in the city, AP reports from Beirut.

One policeman was killed and 11 civilians wounded in the mortar, rocket-propelled grenade and machine-gun exchanges. The latest victims raised the casualty toll in the eight consecutive days of fighting to 48 killed and 190 wounded.

Earlier in the day, rival militias also fought, though less intensively, along other front lines.

Lebanese army troops exchanged tank and mortar fire with Druze militiamen in the hills east of Beirut for two hours yesterday.

In Beirut, Moslem and Christian gunmen traded weapon-fire for 30 minutes along the Greco Line which bisects the city into Moslem and Christian sectors.

No casualties were reported in the exchanges in Beirut or the central mountains.

The fighting in Sidon, 25 miles south of Beirut, was heavy overnight but tapered off in the morning to sporadic sniper fire.

Police and Sidon-based reporters said the fighting picked up again yesterday afternoon, with Christian militiamen on the hills overlooking Sidon firing mortars and heavy artillery into the city's two Palestinian refugee camps of Ein El-Hilweh and Mieh Mieh.

Moslem and Palestinian fighters in the camps were returning fire with multiple rocket launchers, they added.

A house was set on fire in the Mieh Mieh camp. Another fire erupted in the Marouf Saad Clinic nearby.

Korean talks to reopen

BY STEVEN B. BUTLER IN SEOUL

NORTH and South Korea have agreed to resume the stalled economic and Red Cross talks that North Korea called off in January to protest at large-scale joint military manoeuvres between the U.S. and South Korea.

The talks had begun on an optimistic note last autumn, but became bogged down first by a shooting incident at the truce village of Panmunjom—where the talks took place—and then by North Korean objections to the pending arrival of thousands of U.S. troops in a training exercise.

The economic negotiators will meet on May 17 and the long interval should have given both sides plenty of time to refine their positions.

A South Korean official close to the economic negotiations said: "The North Koreans were obviously unprepared for the talks in November, and they needed to find some excuse to postpone them."

On May 27 a delegation of North Korean Red Cross officials is scheduled to arrive in Seoul to begin discussion on reuniting families separated by the Korean War.

Black shot dead in S. Africa

BY ANTHONY ROBINSON IN CAPE TOWN

SOUTH AFRICAN police yesterday shot dead a black man and another was apparently killed by a mob in rioting against apartheid.

The police said they fired on stone-throwing blacks stacking a patrol outside Port Elizabeth. In Langotownship, near Uitenhage, a crowd was discovered trying to set fire to the body of a black who had been stabbed and hacked to death.

Black anger at white-minority rule often expresses itself in attacks on fellow blacks who are seen as collaborators with the system.

The renewed violence followed the announcement that the army and railway police would be called in to back up regular police in quelling riots wherever necessary.

These arrangements were first mooted by President P. W. Botha in his statement to a combined session of Parliament last week, but the details were released on Thursday night by Mr. Adriaan Vlok, Deputy Minister of both Defence and Law and Order.

Mr. Vlok said that the three forces would combine in order that law and order can be restored in areas affected by recent unrest and to maintain individual safety.

The army and railway police would help the regular police at road blocks, cordons, protection and escort duties and other situations as circumstances demand. But he added, the army would not be involved in normal policing operations.

In practice the new measures appear to be a formalisation of existing co-operation between the army and police. A combined army-police force of 7,000 surrounded and searched the black township of Sebokeng near Johannesburg last October and the army has been involved in policing operations during the recent disturbances in the Eastern Cape.

Mr. Vlok indicated that greater efforts would be made to protect the lives and property of "law-abiding members of the black community who have indicated willingness to go ahead with the Government's reform initiatives," from what he called "radicals using the revolutionary practices of intimidation and even murder."

In Durban, a silent dawn march through the city by 300 people headed by the Catholic and Anglican archbishops of Durban passed off without incident. The march to the city jail in support of trade unionists and United Democratic Front supporters awaiting trial on treason charges had been authorised by the authorities.

Japan sets date to end whaling

JAPAN plans to end commercial whaling in 1988, writes Robert Cottrell in Tokyo. It will withdraw its formal objection to the absolute whaling moratorium declared in 1982 by the International Whaling Commission (IWC).

The decision, taken at a Cabinet meeting, came despite vocal opposition from Japan's whalers. The country has the world's largest fishing and whaling industries. The official move to end whaling has been made mainly to preserve access to U.S. waters. Washington had threatened to cut Japan's catch quotas if it maintained its objection to the IWC ban.

Pledge for Ozal

Prime Minister Turgut Ozal of Turkey has ended talks in Washington during which he called for a new friendship agreement with Greece and obtained President Reagan's promise to try to overturn aid cuts made by Congress and to win approval for his full request of \$539m in military-related aid for Turkey next year.

Honduran charges

The Honduran Congress has quashed a move by President Roberto Suazo Cordova to charge 50 of its members with treason. Reuter reports from Tegucigalpa. It voted against allowing courts to proceed with the charges, brought with the President's backing after congress replaced five Supreme court judges it accused of manipulating electoral law.

Soviet grain pact

Canadian Foreign Minister Joe Clark yesterday said that the Soviet Union had made clear it hoped to renew a bilateral grain pact, indicating continuing concern over a succession of poor harvests. Reuter reports from Moscow.

Alcoholism drive

The Soviet Politburo has announced a new drive against alcoholism, which kills thousands of citizens every year. Reuter reports from Moscow. The Soviet Union leads the world in consumption of spirits, notably vodka.

East German spy

An East German scientist who pleaded guilty to spying against the U.S. was sentenced yesterday to eight years in prison and fined \$5,000. Reuter reports from Boston. Prof. Alfred Zehe (45) of the University of Dresden was arrested in 1983 at a Boston conference.

Kidnap suspect

Mexico will seek the extradition from Costa Rica of the prime suspect in the kidnapping of narcotics agent. Reuter reports from Mexico City. The suspect and murder of a U.S. anti-drug agent in San Jose.



SAVINGS CERTIFICATES

New General Extension Rate

9.5%

p.a. TAX-FREE

From Monday 1 April the General Extension Rate offered on many matured Issues of National Savings Certificates is increased to 9.5% p.a. tax-free, until further notice.

The General Extension Rate applies to Certificates of the 7th to 14th, 16th, 18th and 19th Issues after they have completed their fixed-period terms.

Issued by the Department for National Savings.

Neves shows small sign of recovery

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL'S president-elect, Sr. Tancredino Neves, critically ill in a Sao Paulo hospital, was yesterday said to be showing a modest recovery after all had seemed lost on Thursday.

After close relatives had said that "only a miracle" could save the 75-year-old Brazilian leader, the armed forces were put on a state of alert to guard against any possible disturbances.

General Leonidas Pires Gonçalves, the new army minister, who is also the most senior serving officer, telephoned Sr. Jose Sarney, the Vice-President, acting head of state, to assure him that the armed forces would follow the laid down constitutional procedure.

This meant, he is reported to have said, that in the event of Sr. Neves' death, the Vice-President would automatically take over. The reassurance was important as the armed forces have frequently taken advantage of a succession crisis and imposed their own choice as President.

Sr. Sarney, a former political ally of the armed forces who broke ranks with them last August to support the president, a bid of Sr. Neves—the candidate of the then opposition

Democratic Alliance—has been scrupulously careful during the past three weeks' crisis not to overstep his caretaker mandate.

Stepping into the power vacuum has been the Congress, led by Sr. Ulysses Guimarães, president of the Chamber of Deputies, the Lower House. In effect, Sr. Guimarães, who is president of the Brazilian Democratic Movement Party and next in line for the succession, is running his own parallel government.

Yesterday morning it was Sr. Guimarães, the veteran party chief, who appeared alongside Sr. Antonio Brito, the presidential spokesman, for the latest bulletin.

This more optimistic report said that Sr. Neves was breathing normally, without artificial aid, and that he had had "a tranquil night." The inflammation in his lungs was said to have lessened and—for the moment, at least—no new sources of infection have been reported in his abdomen.

His heart and breathing have been giving cause for concern to his doctors, requiring the use of an artificial respirator for a 24-hour period before and after the latest operation.

U.S. jobless rate stays unchanged

By Our Washington Correspondent

UNEMPLOYMENT in the U.S. remained unchanged in March at 7.3 per cent, the Labor Department reported yesterday.

But buried behind the no-employment figures was another strong gain in the number of workers with jobs, which suggests that the economy overall is still continuing to expand at a moderate pace.

The gain in employment was concentrated on the service and construction industries and the retail trade sector. There was no rise in manufacturing employment which has been stagnant since August of last year.

This partly reflects the growing share of domestic consumption being taken by goods imported from abroad. Average factory working hours rose by half an hour.

The trends reported by the Labor Department will convince many economists that demand in the economy is not running out of steam.

But recent figures pointing towards a deterioration in the trade balance are convincing some private economists that the Commerce Department's "dash" forecast for a sluggish 2.1 per cent real annual rate of growth for 1985 National Product may not be revised sharply higher, as some have predicted.

Sandinistas reject Reagan 'peace proposal'

BY STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan's "new proposal for peace" in Central America has been bluntly rejected by the Sandinista Government of Nicaragua and sharply criticised on Capitol Hill.

Mr. Tip O'Neill, the House speaker, described the President's initiative as "a dirty trick."

Mr. Reagan, at a Press conference on Thursday, called on the Sandinista Government and the U.S.-backed contra rebels who are seeking to topple the Sandinistas, to lay down their arms and enter into church-

mediated talks on internationally supervised elections.

But in what many critics of the President's Central American policies see as the main objective of the initiative, Mr. Reagan called on Congress to release immediately the \$14m (£12.7m) of military aid for the contra which has already been appropriated.

Mr. Reagan said that while the peace talks continued, the funds would not be used for arms and munitions for the rebels, but for "food, clothing, medicine and other support for survival."

But if, after 60 days, the peace talks have not made pro-

gress, the President said he would then be free to authorise the expenditure of the remainder of the \$14m released by Congress on military supplies for the anti-Sandinista contra.

Mr. Carlos Tannerman, Nicaraguan Ambassador in Washington, promptly rejected the President's proposal, saying: "We cannot negotiate under the threat that if there is no agreement, the covert aid (to the rebels) will be renewed."

On Capitol Hill the President's new peace proposal was seen primarily as a ploy aimed at trying to improve the Reagan Administration's chances of

obtaining the funds for covert aid to the rebels.

Congress has already voted four times to block the release of new covert military aid to the contra.

Congressional Republicans have told the President that his chances of securing the funds in votes on Capitol Hill later this month are slim.

The question now is whether by linking the release of the funds to increased pressure on the Nicaraguan Government to engage in peace talks, Mr. Reagan has created a vehicle which he can use successfully to chip away at Congressional

opposition to what his critics see as the covert war the U.S. is waging against the Nicaraguan Government.

In the wake of the announcement, many leading Democrats said they saw no fundamental change in Administration policy in the President's statement. They repeated their opposition to a policy of attempting to overthrow the Nicaraguan Government by force.

This, they argue, is counterproductive and only encourages the Sandinista Government to import arms and to rely on Cuba and the Soviet Union for backing.

NY report hails UK growth

WEST GERMANY and Britain have shaken off their lethargy and joined the economic growth parade headed by Japan, Australia and Taiwan, according to a study by the Conference Board of New York, AP reports.

The U.S., France, Canada and Italy are lagging, but the study says the latest data strongly suggest that the economies of the world's main non-Communist industrial nations will continue to expand.

Japan continues to lead the way, with its leading index soaring at a 9 per cent annual rate, the Board said.

The leading index is designed to forecast future economic performance. It includes building permits, factory orders for goods and other factors that foreshadow business activity several months in advance.

It is rising at a 6 per cent rate in Taiwan and 5 per cent in Australia.

"The UK and West Germany have finally climbed out of the economic doldrums that held them back last year," the board comments. "They are now posting growth rates of 5 per cent and 6 per cent respectively."

The leading indices are advancing more slowly in three other leading industrial countries studied by the board. They are up a scant 1 per cent in the U.S., 3 per cent in France, and 4 per cent in Canada and Italy.

Mr. Edgar Fiedler of the Conference board commented: "Although growth rates have slowed in some countries, especially the U.S., the leading indices themselves are at or above their highs of last year in virtually all countries."

Northrop offers U.S. air force its fighters

BY PAUL TAYLOR IN NEW YORK

Northrop, the U.S. military aerospace group—in a highly unusual move apparently timed to coincide with the current furor over Pentagon spending—has proposed selling the U.S. air force 398 F-20 Tigershark fighter aircraft to replace some of the General Dynamics F-16C fighters which the Air Force is already committed to buy.

The unsolicited proposal, made by Mr. Thomas Jones, Northrop's chairman, at a Los Angeles Press conference, came as a team of auditors concluded that General Dynamics, the nation's largest defence contractor, had billed the Pentagon for \$244m (£221m) in excess overhead claims. General Dynamics has become the focus for mounting allegations of overcharging.

Mr. Jones said Northrop is offering the Tigershark fighters at a fixed price of \$15m each in

1986 dollars compared with a stated budget price of between \$18m and \$20m for the General Dynamics F-16C jets.

The U.S. air force is scheduled to acquire an additional 792 fighters at a cost of \$66m over the next four years, but its current commitment to buy the F-16Cs expires this year.

The move, which marks an unusual "breaking-of-ranks" among the nation's defence contractors, was generally viewed as an astute attempt by Northrop to keep its faltering F-20 programme alive.

Northrop developed the F-20 without federal funding as a cost of almost \$800m, in response to a 1980 suggestion from President Jimmy Carter that U.S. defence contractors build an "intermediate" jet fighter suitable for sale to U.S. allies.

However, so far Northrop has failed to book any orders for

the F-20 and Wall Street analysts have speculated that the company must decide soon whether to put the jet into production or abandon the so far ill-fated project.

The proposal was made as Government auditors released the preliminary results of the latest investigation into General Dynamics' billing.

The audit was ordered on March 5 by Mr. Casper Weinberger, U.S. Defence Secretary, when he announced a 30-day freeze on "general and administrative claims" by General Dynamics estimated to total about \$40m a month in response to allegations about the company's previous billing practices.

The Pentagon said that of the \$244m in alleged excess charges identified by the auditors, about \$120m has been recovered through the withholding of ex-

pense claims.

The Pentagon added that it is considering how to recover the remaining \$124m and is considering either a continuation of the freeze or a demand for full repayment.

Among the initial findings of the audit, the Pentagon said it revealed excess "administrative and general" overhead payments totalling \$154m in addition to \$90m in overhead claims which have been withheld.

The Pentagon described the \$154m as including "technical" issues such as claims for data processing costs and workers' compensation.

Last month, General Dynamics voluntarily reimbursed \$23m in overhead charges after Government auditors challenged \$63.6m out of \$170m in overhead payments made between 1979 and 1982.

Salvador poll protest collapses

BY DAVID GARDNER IN MEXICO CITY

EL SALVADOR'S powerful far right, which had been seeking to overturn President Jose Napoleon Duarte's victory in last Sunday's national assembly election by having the vote annulled, has withdrawn its petition to the electoral council—which it controls—after a unique display of army pressure.

Major Roberto D'Aubuisson's coalition between his own extremist Arena movement and the right-wing National Conciliation Party (PCN), on Tuesday night tried to get the election declared null and void through their 2.1 majority on the electoral council, which arbitrates on elections.

In its written submission, the far right took the unprecedented step of directly accusing the army of favouring Sr. Duarte's Christian Demo-

crats. Throughout the past five years of civil war against left-wing insurgents, and indeed in the five decades of army-backed right-wing rule which led to it, the far right and the army have been firmly allied in defence of El Salvador's small land-owning and business oligarchy.

Though control of both the electoral council and the supreme court put the far right in a technically strong position, its power play collapsed.

By Wednesday, the armed forces had assembled the entire high command, every field commander in the country and the chiefs of the air force and various police forces in a unique Press conference.

This was designed to demonstrate unanimous repudiation of the far right leaders, and deny what they describe as his "denigrating claims of their bias" to-

wards the Christian Democrats.

An hour after the Press conference, the executive of the PCN, itself a former vehicle for decades of army rule, disavowed its leaders' support for the annulment petition.

The right's surrender was complete when the Arena delegate on the electoral council announced four hours later that the petition was being withdrawn.

Though the right is still expected to snipe at individual results by province and town, its hope of forcing an extra three seats in the East out of the Christian Democrats has been dashed.

Reliable projections now show the Christian Democrats with 54 per cent of the vote, against the coalition's 37 per cent, which would give Sr. Duarte 34 seats in the 60-seat assembly.

TENDERS MUST BE LODGED AT THE BANK OF ENGLAND, NEW ISSUES (CI), WATLING STREET, LONDON, EC4M 3AA NOT LATER THAN 10.00 A.M. ON THURSDAY, 11TH APRIL 1985, OR AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON WEDNESDAY, 10TH APRIL 1985.

ISSUE BY TENDER OF £400,000,000 3 per cent TREASURY STOCK, 1989

MINIMUM TENDER PRICE £79.00 PER CENT

PAYABLE IN FULL WITH TENDER
INTEREST PAYABLE HALF-YEARLY ON 15TH MAY AND 15TH NOVEMBER

This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive tenders for the above Stock.

The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

The Stock will be repaid at par on 15th May 1989.

Interest will be payable half-yearly on 15th May and 15th November. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. The first interest payment will be made on 15th November 1985 at the rate of £1.7918 per £100 of the Stock.

Tenders must be lodged at the Bank of England, New Issues (CI), Watling Street, London, EC4M 3AA not later than 10.00 A.M. ON THURSDAY, 11TH APRIL 1985, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England (25 St. Vincent Place, Glasgow, G1 2EB) not later than 3.30 P.M. ON WEDNESDAY, 10TH APRIL 1985. Tenders will not be revocable between 10.00 a.m. on Thursday, 11th April 1985 and 10.00 a.m. on Tuesday, 15th April 1985.

Each tender must be for one amount and at one price. The minimum price, below which tenders will not be accepted, is £79.00 per cent. Tenders must be made at the minimum price or at higher prices which are multiples of 25p. Tenders must be accompanied by a cheque or cash for the amount of the tender, which will be held in trust for the tenderer. The cheque must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

Tenders must be for a minimum of £100 Stock and for multiples of Stock as follows:

Amount of Stock tendered for	Multiple
£100-£1,000	£100
£1,000-£5,000	£500
£5,000-£10,000	£1,000
£10,000-£50,000	£5,000
£50,000 or greater	£25,000

Her Majesty's Treasury reserve the right to reject any tender or part of any tender and may therefore offer to tenderers less than the full amount of the Stock. Tenders will be ranked in descending order of price and allotments will be made to tenderers whose tenders are at or above the lowest price at which Her Majesty's Treasury decides that any tenders should be accepted (the allotment price), which will be not less than the minimum tender price. All allotments will be made at the allotment price; tenders which are accepted and which are made at prices above the allotment price will be allotted in full; tenders made at the allotment price may be allotted in full or in part. Any balance of Stock not allotted to tenderers will be allotted at the allotment price to the Governor and the Company of the Bank of England, Issue Department.

Letters of allotment in respect of Stock allotted, being the only form in which the Stock may be transferred prior to registration, will be despatched by post at the risk of the tenderer, but the despatch of any letter of allotment, and the release of any cash or cheque held in trust for the tenderer, will be withheld until the tenderer's cheque has been paid. In the event of such withholding, the tenderer will be notified by letter by the Bank of England of the acceptance of his tender and of the amount of Stock allotted to him, subject in each case to payment of his cheque, but such notification will confer no right on the tenderer to transfer the Stock so allotted.

No allotment will be made for a less amount than £100 Stock. In the event of partial allotment, or of tenders at prices above the allotment price, the excess amount paid will, when returned, be remitted by cheque despatched by post at the risk of the tenderer. If no allotment is made the amount paid with tender will be returned likewise. Non-payment on presentation of a cheque in respect of any Stock allotted will render the allotment of such Stock liable to cancellation. Interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1 per cent per annum may, however, be charged on the amount payable in respect of any allotment of Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such sources or sources as the Bank of England shall consider appropriate.

Letters of allotment may be split into denominations of multiples of £100

on written request received by the Bank of England, New Issues, Watling Street, London, EC4M 3AA on any date not later than 15th May 1985. Such requests must be signed and must be accompanied by the letters of allotment. Letters of allotment, accompanied by a completed registration form, may be lodged for registration forthwith and in any case they must be lodged for registration not later than 17th May 1985.

Tender forms and copies of this prospectus may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 3AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England, 25 St. Vincent Place, Glasgow, G1 2EB; at the Bank of Ireland, Moyness Buildings, 1st Floor, 20 Colander Street, Belfast, BT1 5BN; at Mullens & Co., 15 Moorgate, London, EC2R 3AN; or at any office of The Stock Exchange in the United Kingdom.

BANK OF ENGLAND
LONDON
4th April 1985

THIS FORM MAY BE USED

TENDER FORM

This form must be lodged at the Bank of England, New Issues (CI), Watling Street, London, EC4M 3AA not later than 10.00 A.M. ON THURSDAY, 11TH APRIL 1985, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England (25 St. Vincent Place, Glasgow, G1 2EB) not later than 3.30 P.M. ON WEDNESDAY, 10TH APRIL 1985.

ISSUE BY TENDER OF £400,000,000 3 per cent TREASURY STOCK, 1989

MINIMUM TENDER PRICE £79.00 PER CENT

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

1/We tender in accordance with the terms of the prospectus dated 4th April 1985 as follows:—

Amount of above-mentioned Stock tendered for, being a minimum of £100 and in a multiple as follows:—

Amount of Stock tendered for	Multiple	1. NOMINAL AMOUNT OF STOCK
£100-£1,000	£100	£
£1,000-£5,000	£500	
£5,000-£10,000	£1,000	
£10,000-£50,000	£5,000	
£50,000 or greater	£25,000	

2. AMOUNT OF PAYMENT (a)	3. TENDER PRICE (b)
£	£ : p

Sum enclosed, being the amount required for payment in full, i.e. the price tendered for a minimum of £79.00 for every £100 of the nominal amount of Stock tendered for (shown in Box 1 above):—

The price tendered per £100 Stock, being a multiple of 25p and not less than the minimum tender price of £79.00:—

1/We request that any letter of allotment in respect of Stock allotted to me/us be sent by post at my/our risk to me/us at the address shown below.

..... April 1985

SIGNATURE of, or on behalf of, tenderer

PLEASE USE BLOCK LETTERS

MR/MRS/MISS	FORENAME(S) IN FULL	SURNAME

FULL POSTAL ADDRESS—

POST-TOWN	COUNTY	POSTCODE

a A separate cheque must accompany each tender. Cheques should be made payable to "Bank of England" and crossed "New Issues". Cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man, and at one price.



SUN ALLIANCE INSURANCE GROUP

RESULTS FOR 1984

The audited group results for 1984, including those of Phoenix Assurance plc which became a subsidiary on 17th August 1984, are set out below with the figures reported for 1983.

	Sun Alliance and Phoenix 1984	Sun Alliance 1983
Premium Income	1,606.7	884.8
General Insurance	595.1	294.3
Long-term Insurance	2,111.8	1,179.1
General insurance underwriting loss	(198.7)	(67.4)
Long-term insurance profits	18.4	8.5
Investment and other income	27.9	132.3
GROUP PROFIT BEFORE TAXATION	47.6	73.4
Taxation	4.1	26.3
GROUP PROFIT AFTER TAXATION	43.5	47.1
Minority interests	6.5	1.1
GROUP NET PROFIT FOR YEAR	37.0	46.0
Adjustment to exclude net loss incurred by Phoenix prior to acquisition	4.0	—
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	41.0	46.0
DIVIDEND	30.6	27.6
PROFIT RETAINED	10.4	18.4
EARNINGS PER SHARE	20.5p	23.3p
DIVIDEND PER SHARE	15.5p	14.0p

TERRITORIAL ANALYSIS OF GENERAL INSURANCE RESULTS

	Sun Alliance and Phoenix 1984	Underwriting result 1984	Premium income 1984	Sun Alliance 1983	Underwriting result 1983	Premium income 1983
United Kingdom & Ireland	669.3	(83.2)	601.8	(90.5)	421.8	(7.0)
Europe	184.5	(11.5)	160.5	(15.6)	90.5	(9.1)
U.S.A.	272.1	(35.0)	203.2	(30.4)	109.8	(11.8)
Canada	105.1	(16.2)	78.4	(0.2)	36.4	(0.5)
Australia	53.6	(6.7)	40.9	(9.4)	35.8	(9.1)
Other overseas areas	141.0	(17.0)	116.7	(1.2)	71.4	(1.5)
Reinsurance	36.9	(22.0)	69.2	(33.4)	43.0	(28.4)
Marine and Aviation (worldwide)	144.2	(7.1)	119.8	(5.6)	76.1	—
	1,606.7	(198.7)	1,290.5	(126.3)	884.8	(67.4)

* Separate 1983 figures for the two groups combined for comparison purposes only.

GROUP ACCOUNTS — CONSOLIDATION OF PHOENIX

The Phoenix's results for 1984 reflect certain changes made to conform with Sun Alliance accounting policies. On this basis Phoenix incurred a net loss of \$4.4m for the 7½ months period prior to acquisition compared with a reported estimated net profit of \$4.6m for the 6 months ended 30th June 1984.

The Group results for the year include an exceptional post-acquisition profit of \$15.1m arising from the termination of the Phoenix's liabilities on its withdrawal from the Continental Corporation's U.S.A. pool.

Including this exceptional U.S.A. credit the consolidated pre-tax profit of Phoenix for 1984 amounted to £21.3m, after charging taxation and minority interests its net profit was £12.6m.

GROUP UNDERWRITING RESULTS

General business premium income increased by 15.5% in sterling terms. After adjustment for the effect of changes in exchange rates the increase was 7.1%.

At Home, property results were seriously affected by heavy fire losses. Increased subsidence claims and the severe weather early in the year, motor experience was also highly unsatisfactory and there was a significant increase in claims frequency.

In Europe, better results were achieved in Belgium, Denmark and Germany but in France and Holland there were again increased losses.

The poor results in the U.S.A. reflected market conditions and commercial lines were especially unprofitable.

In Canada, increasingly adverse underwriting conditions resulted in heavier losses in most classes; changes in legislation affecting bodily injury claims also contributed to a severe deterioration in the automobile account.

The above statement is a summary of the year's results. The full Report and Accounts, which contain an unqualified Report of the Auditors, will be posted to shareholders on 26th April 1985 and delivered to the Registrar of Companies after the Annual General Meeting.

3rd April 1985.

SUN ALLIANCE AND LONDON INSURANCE plc



Will this be the fate of our civil aviation industry?

In 1983, this country made a profit of £430 million from our aviation industry.

And last year, the tourists who were flown into Britain spent over £4.25 billion in our hotels, theatres, pubs and shops.

This business continues to grow at a rapid pace, bringing even more money into the country and providing more jobs.

So much so, that forecasts indicate that in future years London's airports will find themselves unable to cope.

The airlines would have to look to Holland, France and Germany to deposit

their passengers, their freight and their money.

The report of the Airports Inquiries 1981-1983 was recently published.

It concluded that the London airport system (of Heathrow, Gatwick, Luton and Stansted) can remain at the centre of the world's airline industry only if it expands.

The report forecast that by the next decade the demand can only be met by an increased capacity in the south-east, which means expanding Stansted Airport and building a fifth terminal at Heathrow.

Every effort should be made to develop the regional airports, but their expansion alone could not meet the future demands of the south-east.

Unless the above recommendations of the Inquiries are acted upon swiftly, the aviation industry will suffer.

Which will mean the country loses revenue and loses jobs.

We wish to see a civil aviation industry that has the freedom to grow to its full potential.

Not one that has had its wings clipped.

AIR UK - BRITISH AIRPORTS AUTHORITY - BRITISH AIRWAYS - BRITISH CALEDONIAN AIRWAYS - BRITISH MIDLAND AIRWAYS - DAN AIR

PR groups given Commons warning

By Ivor Owen

PUBLIC relations companies campaigning on behalf of their clients were warned in the Commons this week not to overstep the mark in their attempts to influence MPs.

Mr John Biffen, the Leader of the Commons, joined with Mr Peter Shore, shadow leader, in condemning the action of Political Research and Communications International in offering to pay the travelling expenses of the Commons Environment Select Committee to enable it to examine an advanced system for disposing of radioactive waste in Sweden.

Mr Biffen said it would be improper for any select committee, conducting an independent inquiry on behalf of the House, to accept funding from an interested private party.

He suggested that the liaison committee which co-ordinates the work of the select committees should consider whether any further action was required.

Mr Shore described the cash offer made by the company as "unacceptable and improper."

"He said, 'This is an important matter involving a commercially motivated attempt to influence the work of a select committee and the activities of a public relations firm chaired by an MP.'"

Mr Peter Fry, Conservative MP for Wellesbourne, is a director of Political Research and Communications International.

Mr Richard Hickmet (Con, Glamorgan and Scunthorpe) called for a debate on some of the wider implications of sustained campaigns on particular issues which resulted in MPs being bombarded with a mass of material.

He protested that MPs had received "disturbing letters from the Roche drugs company" over the recently implemented government scheme to limit the range of brand name products which can be prescribed under the National Health Service.

Mr Biffen commented that intensive lobbying was something MPs had to learn to live with, and added: "I am not sure we have made it easier by having shared our collective agonies with each other in debate."

Secondments to Civil Service

By Our Political Editor

EMPLOYEES from 74 organisations in the private sector were seconded to the Civil Service last year.

These figures were disclosed on Thursday in a parliamentary written answer by the Prime Minister to Mr Gordon Brown, Labour MP for Dumfrieshire who has been pressing ministers on the issue since the appointment of Mr Peter Levene, former chairman of United Scientific Holdings, as the head of defence procurement.

The secondments have been from a wide range of companies and professional firms, supplying in some cases more than one person.

Of the 116 secondments the largest number, 40, has been to the Department of Trade and Industry, with 15 to the Department of the Environment.

Owen in move on candidates

DR DAVID OWEN, leader of the Social Democratic Party, hopes to minimise the number of SDP-Liberal Alliance candidates at the next general election who would be committed to unilateral nuclear disarmament.

Interviewed on Thames Television's TV Eye programme on Thursday night, he said he hoped such candidates would not go off and do their own thing, because the Alliance would remain committed to a multilateral approach. Defence was a source of tension in the Alliance, he said.

BNOC lifts veil on April prices

By IAN HARGREAVES

THE British National Oil Corporation has started to lift the veil on its prices for this month's North Sea oil supplies but will not complete the task until after the Easter holiday. In a display of secrecy the corporation abandoned its usual method of notifying pricing proposals by telex. Instead, it has been telephoning individual clients with information about specific grades of North Sea crude, urging them to keep the information confidential.

The corporation said it would not complete the task of talking to suppliers until the middle of next week. Suppliers were being offered the same price for each grade of crude, it said.

The prices released confirm that this month's rate for Brent blend, the North Sea reference crude, will be \$37.50 a barrel, down from \$38.55 in March. It is precisely because the Government fears an adverse reaction to this cut from the Organisation of Petroleum Exporting Countries that it has told the corporation to fudge presentation of its proposals.

The general reaction among those suppliers who had received information from the corporation on Thursday was that prices were lower than justified by market circumstances, where Brent blend is trading at about \$38.40 a barrel.

The Government, however, is keen to convince as many suppliers as possible that their best interest lies in abandoning their oil participation contracts, with the corporation as soon as possible so that BNOC can be wound up, according to plan, by October. By offering low prices it hopes to persuade companies to make alternative trading arrangements as soon as possible.

Several suppliers have agreed with the corporation that they will not supply any more participation crude—the 51 per cent of output to which the corporation is entitled under agreements with oil companies—from May 1.

Others have hesitated, to see what price offers emerge from BNOC and to allow time to find new clients for their oil.

It is possible that some oil companies will decide to take the corporation to arbitration over this month's prices in the hope they will secure a higher price. There was a feeling in the industry last week, however, that it would be unwise to rock the boat in BNOC's dying days, especially when the Government was putting finishing touches to the ninth round of North Sea licensing.

Details of ninth round awards are expected early next month. AP reports: An official of Nigerian National Oil indicated on Thursday that his country may not necessarily follow the BNOC's price cut for April crude.

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Ulster gas industry faces £97m rundown

By Our Belfast Correspondent

THE GOVERNMENT yesterday rejected revised proposals for piping natural gas from Dublin to Belfast, deciding instead to spend £97m closing Northern Ireland's gas industry.

The rundown of the gas undertakings will take up to three years and will mean the loss of 1,000 jobs. The trade unions reacted angrily, and workers in the council-run Belfast Gas Department walked out to hold a protest meeting.

During talks with a joint working party Dr Rhodes Boyson, the Northern Ireland Minister, turned down their plan to bring natural gas from the Kinsale field, off the southern coast of Ireland.

His decision is the final blow to the loss-making gas industry, which has fought for the supply of natural gas for years, first from Great Britain and more recently from the Republic.

Last year the Government cancelled an agreement drawn up with the Irish Government to lay a pipeline across the border. It blamed rising costs

and continuing decline in the number of consumers. Officials remain unconvinced that natural gas would attract customers back in sufficient numbers. Other forms of fuel, notably coal, have become increasingly popular.

Dublin's asking price of 40p a therm would leave little room for undercutting the competition. Dr Boyson had a meeting with the undertakings and the unions.

They propose a narrower pipeline and more limited distribution network, saying that a

smaller operation could succeed, by cutting overheads and employing half the present labour force.

Dr Boyson said: "The total cost to the taxpayer will be £97m to run down the industry and compensate consumers who want to switch to another fuel."

"I am advised that the industry's proposal could not be viable. If we had gone ahead with their scheme, then in two years' time, having spent an estimated £70m on it, we would still have faced the cost of closure."

State industries attack plan

By Our Natural Resources Editor

THE GOVERNMENT'S plans to tighten control of nationalised industries, to clarify the industry's financial framework, and to give the Government unprecedented power to siphon funds from the profitable electricity and gas industries.

These views were put in an attack by state energy companies on the Government's recent consultation document on the future of nationalised industries. They were made in evidence to the Commons Energy Committee, which issued the documents this week.

Although the electricity industry welcomes the Government's intention to clarify the industry's legislative framework, it joins with the gas and, to a lesser degree, the National Coal Board, in condemning important aspects of the proposals.

The main points challenged by the industries are:

● By taking stronger powers to set financial targets, if necessary without agreement with industry boards, the Government would in effect be taking over from management key decisions

about pricing and wages.

● Powers to convert reserves into loan capital would amount to expropriation of past profits.

The toughest language in the responses comes from British Gas. Sir Denis Rooke, its chairman, told the committee the measures would reduce the role of a management committee acting at the ultimate behest of the Treasury.

Energy Committee: HM Treasury's consultation proposals for legislation in respect of the Nationalised Industries; SO: £3.30.

Prestwick airport to remain international

By Michael Donne, Aerospace Correspondent

PRESTWICK AIRPORT, in Scotland, will remain a long-haul international airport at least until 1989, when its future will be reviewed if there has been no change in its fortunes.

Mr Nicholas Ridley, Transport Secretary, stressed this in a written parliamentary answer on Thursday, and said that government policy towards the other lowland airports in Scotland would remain unchanged, following the extensive review of those airports.

This means that Glasgow (Abbottsinch) will remain an important short to medium-haul domestic and international airport, but will not be expanded to become a long-haul airport, and that there will be no change in the status of Edinburgh airport.

These decisions, resulting from the Scottish Lowland Airports policy review begun last year, will disappoint British Midland Airways, which had hoped to launch services to New York from Abbotsinch.

Such services would have required big expansion of the airport to cope with long-haul, heavily-laden transatlantic jets, requiring extra runway length as well as improvements to terminal buildings.

The decision is likely to be welcomed by British Aerospace, the aircraft manufacturer, which had been faced with possible closure of its Prestwick factory (where light aircraft are made) if the Government had changed the conditions of use at Prestwick.

BAe finds Prestwick, a big long-haul airport with an extensive runway capability, useful in its aircraft manufacturing business.

Prestwick's long-haul transatlantic traffic has been declining for some time. Last year, it handled 235,000 passengers, 5.7 per cent less than in 1983. The decline has continued this year.

Mr Ridley said in his parliamentary answer that the Government was anxious that this situation should not continue indefinitely "and therefore wish to see every effort made by those who want to preserve Prestwick to improve its economic performance."

"We look for a steady improvement in the airport's financial results as a result of such efforts, and to this end the Freeport (designated at the airport last year) should help."

"If, however, a change in the fortunes of Prestwick does not come about by 1989, the decision to maintain existing policy will have to be reconsidered."

The British Airways Authority, and transatlantic airlines using Prestwick, are seeking to expand its use, especially by airlines moving to and from the Continent.

Farmers who leave dairying 'should have more compensation'

By RICHARD MOONEY

BIGGER compensation payments should be offered to British farmers who want to pull out of dairying because of the EEC quota scheme imposed last year and money should be made available to compensate farm workers who lose their jobs as a result, a Commons committee has told the Government.

In a report published on Thursday, the House of Commons Agriculture Committee also criticised the method used to ensure that the quota scheme was being operated properly in all community countries.

Under the so-called "outgoers scheme," the Government has provided £5m to pay off farmers who decide to leave the dairy sector. They receive 30p for each litre of quota given up. But the committee says this scale of assistance is not enough to meet farmers' needs.

It remains concerned about the position of farm workers who are put out of jobs and recommends that an EEC-funded scheme of compensation should be established. "But as an alternative, the Government should give consideration to a UK-funded scheme comparable

to the outgoers scheme for dairy farmers."

On the question of monitoring the scheme, the committee said it was concerned that "the Government seems to rely on the fact that EEC audit arrangements will ensure that errors and evasions will be picked up later." This method takes far too long, it insists.

Another matter worrying the committee was the fact that UK production was running below quota. That position changed in mid-November, however, since when production has been running above quota.

The Milk Marketing Board estimated this week that in the first year of the scheme, UK production totalled 214m litres, 1.7 per cent below quota.

It warned that current output levels suggested over-production in the first quarter of the 1983-86 marketing year, which began on April 1, could result in UK dairy farmers facing a £5m EEC fine in three months time.

Comment on the Minister's Response to the Committee's report on the implementation of dairy quotas, HMSO, price £2.55.

Greyhound track sale plan

By CHARLES BATCHELOR

GRA Group, the country's largest operator of greyhound race tracks, plans to sell the 30-acre Harringay Stadium in north London to J. Sainsbury, the retail food chain. The stadium, which may realise as much as £12m, is destined for redevelopment partly as a superstore.

Final agreement on the deal depends on the granting of planning permission. If the sale goes through, GRA hopes to buy or establish a new stadium.

GRA sold White City, its London flagship stadium, in May 1983. It announced at the end of

last year that it was discussing the possible development of four of its stadiums, including Harringay, with supermarket operators.

The other stadiums under discussion were Slough, White City (Manchester) and Shawfields.

The group said yesterday it had reached conditional agreement with Sainsbury's to sell most of the freehold land and buildings at Harringay for £10.5m before tax and expenses. Sainsbury's also has an option to buy the rest of the property for a further £1.5m.

House price increases show wide variation

By MARGARET HUGHES

THE RISES in house prices recorded by three of the major building societies once again show wide variations.

According to the Halifax's latest report house prices rose by more than 1 per cent in the first quarter of 1985. This is a smaller rise than recorded in the previous quarter but still means that house prices are now 9 per cent higher than a year ago.

This rise is much less than the 3 per cent increase, giving an annual rise of 14 per cent announced earlier in the week

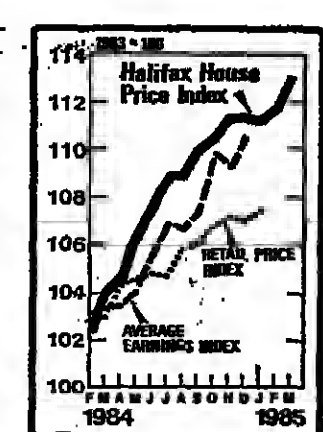
by the Nationwide. It is, however, slightly ahead of the 0.6 per cent rise recorded by the Abbey National in the first quarter giving an annual rise of 7.4 per cent which matches that recorded by Leeds Permanent.

The Halifax claims, however, that its House Price Index provides a more accurate indicator because it makes full allowance for the changing mix of mortgaged properties.

The average house price, according to the Halifax Index, is now £32,053 but there are wide regional variations. The

average price of a house in Greater London, where prices have increased by 14 per cent on a year ago, is now £44,739. The smallest annual rise of 5.2 per cent was in Yorkshire and Humberside where the average price is now £22,965.

The Halifax still expects the overall rise this year to be about 8 per cent. This is the same rate of increase as the society forecast for 1984 when its index for the year ultimately showed a rise of 9.1 per cent. This forecast is much in line with that of the Leeds Permanent which is predicting a rise of between 8 and 10 per cent this year.



British Shipbuilders wins £5m orders for barges

By ANDREW FISHER, SHIPPING CORRESPONDENT

BRITISH SHIPBUILDERS has won orders worth nearly £5m to build two barges for the offshore construction industry, bringing its total new order intake in 1985 to £170m.

They will be built at the Austin and Pickersgill yard, Sunderland, which recently won a £28m contract to build two multi-purpose cargo ships for an unnamed owner to be operated under the Liberian flag.

The non-propelled barges, each able to carry 14,000 tonnes, have been ordered by Smit International of Holland and J P Knight (Offshore) of Rochester, Kent. Delivery will be in September and November. They will be 300 ft long and 100 ft wide.

The orders will fill a gap in the workload of the yard, which needs steelwork to keep part of its workforce busy until a start is made on the Liberian ships. The Sunderland yard, which

is cutting its workforce, including clerical staff, from more than 1,800 to about 1,150, hopes an option for a third Liberian-flag ship will be exercised later this year, said Mr George Parker, the managing director.

This would keep the yard in full operation until April 1987, he added. In February a productivity deal was agreed there, helping it to win the Liberian-flag contract.

The barge orders are the first won by a BS yard in the latest financial year, which began on April 1. Mr Graham Day, chairman of BS, congratulated Austin and Pickersgill on winning the orders and "opening the batting for the 1985-86 order season."

In the 1984-85 financial year BS booked new merchant orders totalling 200,000 compensated gross tonnes—a measure of both work content and size—double the level of the previous year.

Bank appointed for newspaper group flotation

Financial Times Reporter

NOBLE GOSSART, the Edinburgh-based merchant bank, has been appointed to handle the planned flotation of the Scottish Daily Record and the Sunday Mail, part of Mr Robert Maxwell's Mirror Group.

Mr Maxwell said yesterday that a Stock Exchange listing would be sought this summer for the Scottish arm of the group. Pergamon Press, his private company, is expected to retain a majority shareholding in the offering, which could value the papers at between £40m and £50m.

The two newspapers have been held up by Mr Maxwell as an example to the rest of the group. They are expected to make £3m-£4m profits this year on turnover of £55m, in contrast with the London and Manchester titles which are expected to make £1m on a £280m turnover.

On Easter Monday, stock market dealers will be hard at work in New York, Tokyo...



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Record car sales in first quarter

BY JOHN GRIFFITHS

UK NEW car registrations in the first three months of this year reached 503,148—a first quarter record, according to Society of Motor Manufacturers and Traders statistics.

The total exceeded by 0.66 per cent the previous record, set in the first quarter of last year. However, last year's momentum was not sustained, and total sales, at 1.75m, were well below 1983's record 1.79m (although still the second highest). The pattern is expected to be repeated this year.

In March, for the first time this year, the imported proportion of total sales topped the 60 per cent level. It accounted for 60.55 per cent of the month's 187,967 total sales, compared with 58.05 per cent of the 177,189 sales recorded in the same month last year. During the quarter imports took 57.9 per cent of sales against 56.8 per cent in the 1984 period.

Once again, imports by UK-based multinationals were a big factor—55 per cent of Vauxhall/Opel's sales were imports last month, as were 48 per cent of Ford's.

More than 47 per cent of Ford's first-quarter sales were imports, compared with 40.74 per cent in the first quarter of last year, due largely to its six-week-long sewing machinists' strike.

Vauxhall/Opel increased UK-assembled cars at a proportion of its total first-quarter sales, to 44.8 per cent from 37.42 per cent compared with the same period last year. This was outweighed by the trend at Ford and at Peugeot Talbot.

The latter saw a sharp rise in sales of cars imported from France last month, notably of the Peugeot 205 small hatchback. These were up 67 per cent

UK CAR REGISTRATIONS									
	March 1985	%	March 1984	%	1985	1984	January-March 1985	January-March 1984	%
Total market	187,967	100.00	177,189	100.00	503,148	503,148	503,148	503,148	100.00
UK produced	74,147	39.45	77,866	43.95	211,806	211,806	211,806	211,806	42.20
Imports	113,820	60.55	99,323	56.05	291,342	291,342	291,342	291,342	57.80
Ford	49,186	26.17	48,116	27.16	131,423	131,423	131,423	131,423	26.12
BL—									
Austin Rover	31,003		35,968		89,773	89,773	89,773	89,773	47.83
Range Rover	237		189		1,013	1,013	1,013	1,013	0.54
Total BL	31,240	16.62	36,157	20.41	90,786	90,786	90,786	90,786	18.12
General Motors—									
(Vauxhall-Opel)	28,399	15.11	27,713	15.64	92,670	92,670	92,670	92,670	18.42
Nissan	12,431	6.61	8,145	4.60	19,459	19,459	19,459	19,459	3.87
VW-Audi	11,489	6.12	11,299	6.38	32,671	32,671	32,671	32,671	6.49
Peugeot Group	12,965	6.90	10,223	5.77	28,459	28,459	28,459	28,459	5.65
Renault	7,904	4.20	6,917	3.90	21,059	21,059	21,059	21,059	4.20
Volvo	7,427	3.95	4,723	2.67	18,275	18,275	18,275	18,275	3.63
Fiat	4,464	2.37	4,245	2.40	13,213	13,213	13,213	13,213	2.63

Source: Society of Motor Manufacturers and Traders

In March on the same month last year and accounted for more than two-thirds of Peugeot Talbot's sales.

Its UK-produced sales were also up, by 31 per cent, giving Peugeot a March market share of 5.34 per cent, only the second time it has broken through the 5 per cent level since the summer of 1983.

Ford, the market leader's share of sales continued a slow drift down from its traditional 17.189 sales recorded in the same month last year. During the quarter imports took 57.9 per cent of sales against 56.8 per cent in the 1984 period.

Once again, imports by UK-based multinationals were a big factor—55 per cent of Vauxhall/Opel's sales were imports last month, as were 48 per cent of Ford's.

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49,167 cars in March for a share of 26.17 per cent (37.16 per cent in March last year) and its first-quarter share fell to 26.12 per cent (27.16), partly because of the strike.

Vauxhall's market share dropped sharply last month from the start of the year, when it was achieving over 20 per cent. It achieved only 15.11 per cent in March, and for the first time this year fell behind Austin Rover, which achieved 16.62.

For the quarter as a whole, however, the General Motors subsidiary stayed ahead of BL's volume cars division, with a share of 18.42 per cent against Austin Rover's 18.04.

The 10 best sellers in March were: Ford Escort 15,504, Ford Fiesta 14,627, Vauxhall Cavalier 11,736, Austin/MG Metro 10,056, Ford Sierra 8,870, Austin/MG Montego 8,425, Vauxhall Nova 7,487, Ford Orion 7,151, Vauxhall Astra 5,992, Austin/MG Maestro 5,078.

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NUT chiefs seek to intensify strike action

By David Brindle, Labour Staff

LEADERS of the National Union of Teachers will today urge the union's annual conference to intensify strike action over pay next term, but without hitting examinations.

Significantly, the NUT executive will recommend the conference at Scarborough to reaffirm its standing pay policy, including refusal to go to arbitration to settle the dispute.

The employers have from the outset expected the dispute to end at arbitration. If the NUT, the dominant teachers' union, today sets its face firmly against such a course, then hopes of an early settlement will recede.

However, the employers will be relieved that the NUT leadership has decided to oppose anticipated calls from militant members to disrupt exams to force a quick end to the dispute.

The lengthy resolution to be put to conference by the executive and to repeat them at the same schools in successive weeks. The union would also work to make teachers' pay an issue in the May county council elections.

All members would be urged to impose two further sanctions outside school hours: refusal to prepare pupils' reports and refusal to be involved in curriculum innovations. A levy of one day's net pay would be imposed to raise up to £4m to finance the continuing campaign.

Mr Fred Jarvis, NUT general secretary, said yesterday that the only way for the dispute to be resolved was for the Government to make extra funds available for a substantial improvement in the present 4 per cent pay offer.

Mr Jarvis said: "The NUT is not prepared to accept a pay rise of 4 per cent. It is a matter of principle. We are not prepared to accept a pay rise of 4 per cent."

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Bank workers reject 5.5% English clearers' offer

BY BRIAN GROOM, LABOUR STAFF

MEMBERS of the Banking Insurance and Finance Union have voted by more than two-to-one to reject a "final" 5.5 per cent pay offer to clerical staff from the main English clearing banks, raising the possibility of the first national pay dispute since 1981.

Bifu is committed to holding a ballot on industrial action if the Federation of London Clearing Bank Employers refuses to increase the offer in response to the union's £20 a week flat rate claim, worth between 8 and 33 per cent.

The union's English clearing bank section council has suggested an indefinite strike, but the national executive may not go that far. One-day stoppages are a likely option.

In a postal ballot, 29,151 bank workers supported the union's recommendation to

reject the offer, and 12,245 voted to accept. The ballot covered clerical and managerial staff at Barclays, Midlands, Lloyds, National Westminster and Williams and Glyn's, plus computer staff at the last two.

A meeting with the employers' federation has been arranged for April 11, followed by an English clearing banks section council meeting on April 15 and a special executive meeting on April 18.

The banks are unlikely to make a further offer on April 11. They will await the result of a ballot by the non-TUC Clearing Bank Union on April 18. The CBU is urging members to reject the offer and ban

overturning from May 1. Under its constitution, the CBU needs a majority of 75 per cent on a 67 per cent turnout to take industrial action. If this majority is achieved in one

bank but not overall, the CBU will consider implementing the overtime ban there.

Bifu and the CBU are in the early stages of merger talks. Bifu has suggested setting up working parties on structure and finance, but the CBU wants the ground rules established on these issues first.

Meanwhile, Bifu is threatening industrial action in two local disputes.

Members at Midland's Manchester Airport branch, the only bank in the airport, have voted for one-day strikes in protest at the proposed closure of the branch later this year.

Night audit staff at Lloyds' Sampson House computer centre, south London, have voted for one-day strikes over a claim for a higher shift premium and shorter hours.

One hurdle before final accord on Post Office's historic event

David Goodhart on the package agreed by Post union chiefs on new technology and working practices

THURSDAY'S unanimous decision of the executive of the Union of Communication Workers to accept the Post Office's final offer on working practices was met with a shower of congratulations from the Post Office.

Sir Ron Dearing, Post Office chairman, described it as an historic event and added: "1985, the 350th anniversary of the Post Office, is well on the way to being the key year of the 20th century."

Mr Alan Tiffin, general secretary of the UCU, said the new technology-working practices agreement was comparable with anything agreed ever in the public sector.

The essential benefits for the Post Office and its customers will be unimpeded use of new technology, more reliable service through better distribution of manpower, and savings estimated at £180m. The chairman said it would mean price increases could be spaced further apart.

The staff stand to pick up over 50 per cent of any cost savings which will mean additional bonuses of between £7 and £14 a week.

There will also be provision at local level to trade off some of that bonus for a one-hour reduction in the working week from 39.2 to 38.2 hours—and as far as possible—move to a five-day week within a six-day service. In addition the Post Office has offered a no compulsory redundancy agreement.

So, there is no doubt there are considerable benefits on both sides but there is still one more hurdle to overcome before final settlement.

Most of the package—covering unrestricted use of mechanised equipment, introduction of new technology, and completion of the productivity scheme—will start being applied from next week.

To ease the change all 120,000 postal staff will get a £100 one-off bonus—to be increased to £250 in the event of the programme being completed.

However, the union's annual conference in mid-May will have to retrospectively approve the deal and, in the unlikely event of it refusing to do so, the £100 bonus will be rescinded.

The union leadership will also have to persuade the conference

to change its mind on part-timers.

In probably the biggest single concession squeezed out of the Post Office, the management agreed last Saturday (with subsequent minor amendments) not to actually use any new part-timers and restrict recruitment to only 2,000 before June 17.

By that date a full agreement on the employment of another 12,000 to 20,000 part-timers must be accepted by the union or the Post Office will introduce them without union co-operation.

Mr Tiffin is confident that the 5.1 rejection of extended use of part-timers at the special conference last month can be clawed back, but it could still be tough and go.

The events of the last week will have strengthened his hand. As Sir Ron Dearing put it: "The membership has seen the resolution of the Post Office in facing up to confrontation. Our history has been one of consensus management because of

the disruption to the public caused by an interruption in service, but we prepared to go over the brink on the OCR issue and that has changed people's understanding."

Delegates will now in May that if they vote down negotiations on part-timers they will have to persuade the rank and file to vote for action in a national strike ballot against a bullish Post Office which will not hesitate to use the law.

Assuming the conference does support negotiations, there will be a concentrated burst of talks at the end of May and beginning

of June over the part-timers issue and the results will be put out to a ballot ready for the expected acceptance on June 17.

The outline of what has been agreed was sketched out in long negotiations last year. The union has pushed the Post Office into a few minor concessions in the three weeks since the special conference. Assuming the second attempt to convince the part-timers and the productivity scheme is successful, the Post Office will have won virtually everything it wants, which is:

● New technology and mechanisation: Immediate unrestricted use of mechanised equipment. Introduction of optical character recognition machinery at 20 main sorting offices. In both cases staff will receive £1.50 for every working hour saved, about 60 per cent of the savings.

● The productivity scheme: The Post Office has wanted to extend the scheme from the 57 per cent of staff it covers to making it mandatory nationwide. Assuming the conference approves it, the scheme will be extended along with traffic measurement techniques to all offices. However, the union insists that manpower savings will not be mandatory. In addition Mr Tiffin said the previous staff share of 55 per cent of manpower savings will be extended for three years to include 50 per cent of the far smaller capital savings.

If the part-timers reform is accepted, the big overtime workers will have their bonuses hit but another part of the deal is a new contractually agreed overtime attendance.

Another benefit from the provisional deal is that the Post Office has said it will go ahead with the heavy parcels Falcon project to try to eat into the mail order market. The project had been shelved because it was dependent on winning agreement on more flexible staffing. If it now goes it could create about 500 jobs.

In the longer run that will not be enough to compensate for the full-time jobs that will go when the present number of 8,600 part-timers is quadrupled but it may help the leadership's tricky selling operation in Bournemouth next month.

F.T.-ACTUARIES SHARE INDICES QUARTERLY VALUATION

The market capitalisations of the groups and sub-sections of the FT-Actuaries indices as at March 29, 1985 are expressed below in millions of pounds and as a percentage of the All-Share Index. Similar figures are also provided for December 31, 1984 both before and after the 1984 year-end changes.

EQUITY GROUPS & SUB-SECTIONS		Market capitalisation as at Mar. 29, 1985 (£m.)	% of all share index	Market capitalisation as at Dec. 31, 1984 (£m.)	% of all share index	Market capitalisation as at Dec. 31, 1984 (£m.)	% of all share index
(Figures in parentheses denote number of stocks)							
CAPITAL GOODS GROUP...	(206)	58,068.3	17.28	55,075.0	16.46	56,675.0	18.46
Building Materials	(85)	4,898.8	1.46	5,011.1	1.52	5,079.1	1.52
Contracting, Construction	(21)	2,812.9	1.09	2,348.2	1.32	2,348.2	2.62
Electricals	(5)	5,235.5	1.59	5,322.7	1.82	5,322.7	1.82
Electronics	(56)	12,094.9	3.58	13,569.0	4.00	12,700.0	0.66
Engineering	(109)	6,031.2	1.82	6,486.2	1.93	6,300.0	1.82
Metals and Metal Forming	(28)	3,748.3	1.13	3,632.7	1.08	3,405.2	2.10
Other Industrial Materials	(17)	2,008.6	1.00	1,877.1	0.55	1,096.5	0.57
Other Consumer Goods	(16)	1,166.0	0.35	93.9	0.07	419.9	0.71
CONSUMER GROUP	(180)	64,068.1	1.76	61,611.8	1.87	62,611.8	2.78
Barbers and Dressmakers	(1)	1,052.1	0.31	93.9	0.07	93.9	0.07
Food Manufacturing	(25)	8,507.3	4.33	8,754.5	2.07	9,474.5	36.33
Shoppers and Dealers	(1)	1,052.1	0.31	93.9	0.07	93.9	0.07
Food Retailing	(15)	5,478.2	5.19	5,714.8	3.82	7,465.2	5.28
Health and Household Products	(9)	4,451.6	4.05	4,590.3	4.35	4,590.3	4.35
Luggage	(2)	1,178.0	0.42	1,178.0	0.42	1,178.0	0.42
Newspapers, Publishing	(12)	1,457.0	2.06	4,369.3	3.22	4,586.5	9.28
Packaging and Paper	(11)	1,457.0	2.06	3,177.3	2.33	3,177.3	2.33
Shoes	(14)	1,154.2	1.00	1,304.2	0.61	1,177.9	0.01
Stores	(4)	16,350.1	1.01	1,938.0	1.00	1,938.0	1.00
Textiles	(19)	2,044.4	1.73	2,925.6	1.00	15,300.6	7.13
Wearers and Accessories	(1)	5,006.8	3.89	6,881.2	3.33	1,827.0	1.00
Other Consumer	(8)	5,006.8	3.89	6,881.2	3.33	6,881.2	3.33
OTHER GROUPS	(97)	38,708.7	18.01	52,017.4	15.05	23,937.1	8.05
Chemicals	(17)	7,998.3	5.80	7,050.7	10.30	51,611.1	10.70
Office Equipment	(1)	7,998.3	5.80	7,050.7	10.30	7,050.7	10.30
Shipping and Transport	(11)	1,482.3	0.43	789.7	0.41	790.7	0.75
Miscellaneous	(25)	11,072.0	5.46	3,186.6	0.80	1,662.9	0.88
Telephone Networks	(2)	1,050.0	0.28	1,050.0	0.28	1,050.0	0.28
INDUSTRIAL GROUP	(683)	135,850.6	3.85	120,887.1	67.09	131,415.5	4.48
Oil	(17)	21,530.5	10.01	18,728.0	10.51	120,657.1	68.50
300 SHARE INDEX		137,591.1	77.85	145,986.1	77.50	147,386.1	77.80
FINANCIAL GROUP	(113)	20,811.0	14.74	20,188.5	13.10	20,188.5	16.10
Banks	(8)	7,886.7	3.81	7,171.5	3.71	7,171.5	4.77
Discount Houses	(1)	1,482.3	0.43	789.7	0.41	790.7	0.75
Insurance (Compulsory)	(17)	4,030.0	2.19	4,464.3	0.51	2,68.2	0.31
Insurance Brokers	(7)	2,285.5	2.60	7,850.0	2.50	4,464.3	2.31
Merchants	(11)	2,285.5	2.60	7,850.0	2.50	4,464.3	3.50
Property	(11)	3,113.8	0.02	1,670.7	0.95	7,798.2	0.82
Other Financial	(28)	6,301.3	3.15	3,917.8	1.97	1,676.7	0.87
Investment Trusts	(106)	10,416.3	6.13	9,293.8	6.13	9,293.8	1.21
Overseas Traders	(4)	3,532.6	1.64	2,982.6	1.03	2,982.6	1.88
ALL-SHARE INDEX	(738)	202,956.8	100.0	282,862.2	100.0	198,362.1	100.0

THE WEEK IN THE MARKETS

Share prices hanging in limbo

LOOKING towards Throgmorton Street it appears as if a large number of investors have decided to forsake the stock market and take an early Easter break. Trading in equities has been fairly flat all week, one broker described himself as "hanging in limbo".

With the foreign exchange markets stealing the limelight his torpor is understandable. By Thursday evening sterling seemed to be sinking over the horizon as the dollar flexed its muscles again. With a four day break in front of them, London market dealers decided that it would be poor strategy to be short of dollars, especially as there were thoughts that Thursday evening's weekly M1 figures might point to higher U.S. interest rates.

On the domestic front the two clearing banks, which held out against the half point cut by their two rivals, decided to trim their base rates too this week. Yet, despite encouraging words from Mr Lawson that lower interest rates look right, Barclays and Midland only cut their rates by 1 point—still 1 over NatWest and Lloyds.

The calls on institutional funds kept coming with a Lasmo rights issue and the \$98m rights from Sastobi and Sastobi while the drafting of the preliminary prospectus for British Aerospace, published on Wednesday, is a timely reminder that investors are going to be writing out cheques for about £300m of partly paid stock by next month.

So institutions are unlikely to rush out and buy equities though there have been small bursts of activity where the rumour mills are working overtime on bid prospects. Com-

LONDON

ONLOOKER

mercial Union is again coming up as a likely target, as is Tri-Contour (now the oil sector's flavour of the month in this respect in place of Lasmo). Also a fair amount of speculation is surrounding Ocean Transport & Trading following the disclosure that P & O has built an 8 per cent stake. Sir Jeffrey Sterling is not a man to make trade investments.

Rethinking Bae

British Aerospace has published a draft prospectus as a forerunner to next month's offer for sale of all the Government's remaining shares and the group's own plans to launch a one for four equity issue. In total, investors will be asked to stump up around £300m, including £200m for the group's own coffers.

Coming so soon after last week's preliminary results the document should not have contained any surprises for the market and, indeed, while the part of the wordage added little to the sum of human knowledge, the management's thoughts about the prospect for civil aircraft demand turned out to be gloomier than expected.

In 1984 BAE's profits rose by 46 per cent to £120m. Within that the civil aviation profits fell from £13.6m to £7.6m, impairing the large sum of money pushed into aircraft development, which is treated outside of the sector breakdown. For the most

part the analysts had assumed that there would be a modest improvement in civil aircraft profits in 1985. The real upturn in demand is still some way off but a profit of around £10m or more seemed a reasonable expectation for this year with the group making £150m pre-tax in all. Some forecasts were as high as £155m.

The prospectus, however, suggested that there would be no such upturn in civil aircraft profits. While the text assured the reader that the directors believe that the long term outlook is good, and currently demand for the Jetstream 31—a small turbo-prop craft capable of carrying up to 19 passengers—is encouraging, orders for larger aircraft are lower than anticipated.

The improving health of a number of the world's airlines is undoubtedly encouraging for the years towards the end of this decade but it now looks as if BAE will achieve little more than break-even on its civil aircraft in the next couple of years.

Immediately that message sank into the market the price lost 18p to 412p as the analysts dropped their forecasts for the current year to around £140m. Now, in a slightly bearish frame of mind, a couple of the analysts pinpointing some other areas of doubt. While 1984's profits came through to the earnings line without any costs for redundancies, unlike 1983, those charges could feature again. Also the tax charge looks to be heading up in percentage terms. So even if the group can maintain a good performance at the pre-tax level, earnings per share growth is likely to lag somewhere behind. All is not going quite as

Blue Circle in U.S.

Blue Circle, the UK's largest cement manufacturer, has entered into a deal which left a few observers scratching their heads. The group is buying Atlanta Cement, a subsidiary of the U.S. minerals company, Newmont Mining, for \$145m (£120m). For its cash Blue Circle will get an extra 2.3m tons a year of cement capacity and a distribution network.

BCI already has a U.S. presence, through its purchase in 1923 of three cement making plants for \$103m from Martin Marietta, giving it a possible output of 2m tons a year. What had investors pondering the latest deal, however, was not the need for extra capacity but how the group could justify spending \$145m on a group which made \$3.6m before tax of a mere \$3.6m in 1984.

Obviously there has to be more to the purchase than immediately meets the eye. For a start, cement prices have been rising in the U.S. and today a producer could expect to achieve something around \$7 to \$8 per ton for portland cement and say \$2.5 per ton for blast furnace slag. So, assuming Atlanta is selling at prices around that level the prospects for this year look much better. It could achieve \$12m pre-tax, but even that means the purchase only washes its face in terms of covering its financing costs. In fact Atlanta could do a great deal more for BCI than that.

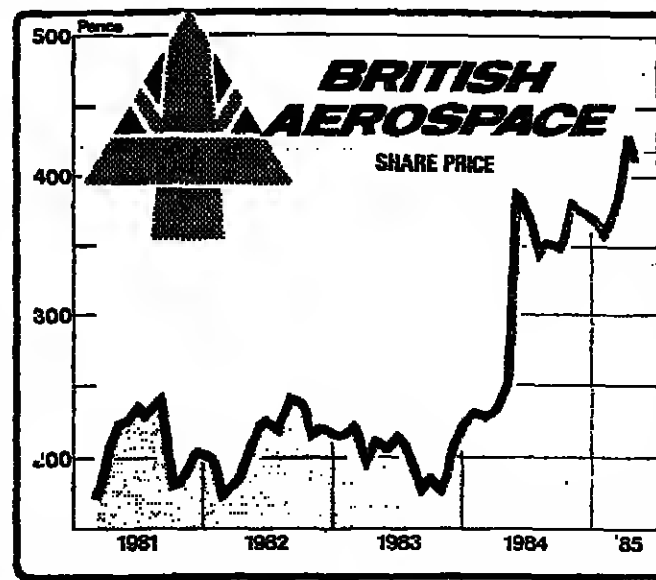
To the weekend DIY hobbyist a bag of cement is a bag of cement but the process that the manufacturer has employed to achieve that result is a continually evolving process. There are considerable cost savings to be had by shifting away from a traditional wet manufacturing plant to a dry or semi-dry process.

The terms may not mean much to the layman but by nutting in such equipment as a filter press and a crusher drier, fuel costs can be significantly reduced and with that equipment the manufacturing process allows much greater use of the kilns. In theory output could treble. And, no doubt, BCI will be looking at ways of reducing its labour costs at some point.

BCI may not be saying much about the future of its U.S. operations yet, but it has not paid \$145m for \$3.6m of earnings. With modifications to the plant there could be substantial earnings improvements—within a couple of years profits might be five times greater than they were in 1984.

Another U.S. deal

Blue Circle's purchase in the U.S. is important to its development but nowhere near as



critical as Sedgwick's U.S. acquisition, which jumps it up the league table of world insurance brokers to the number two slot behind Marsh & McLennan. Sedgwick has spent the past seven years looking for a U.S. partner. It was the first to forge the way across the ocean to negotiate what could have been one of the first of the mega-groupings but its attempts to bring itself closer to Alexander foundered. Now it has struck an agreement to buy Fred S. James, the world's sixth largest broker behind Sedgwick in fifth place.

The nuts and bolts of the purchase is that the UK broker will issue voting and restricted shares to James' parent, Transamerica, putting a value of \$533m on the acquisition. Transamerica, a U.S. financial conglomerate, will end up with 39 per cent of the enlarged equity of Sedgwick but only 29 per cent of the votes.

There are several obvious reasons why Sedgwick needs a U.S. broker. It has a prime position in London to handle wholesale business from the U.S. though it has lost ground to other London brokers who have forged links with their U.S. counterparts and thus pulled wholesale business away from Sedgwick. And while Sedgwick has a good position as a retail broker—dealing direct with clients—around the world, it lacks an exposure to the important U.S. market. James gives the UK house the presence it needs.

For Transamerica, Sedgwick's offer must look like all its Christmas hares come at once. It only paid \$300m for James two years ago, and the book profit is sufficient endowment to stay as a large minority holder in the enlarged group for the four years it is locked in.

As for the terms, Sedgwick has been a touch generous. James's historic after-tax profits were equivalent to £24.1m in 1984 compared to Sedgwick's £50.2m post tax. But James's is forecasting £43.9m pre-tax for the current financial year which after tax could add £30m to Sedgwick's 1985 earnings.

David & Goliath

NEW YORK

TERRY DODSWORTH

THE U.S. investing public appears to have reached the conclusion that equities are adequately valued for the time being. But the entrepreneurs and dealmakers who have been such a part of the scene for the past two years still seem to be looking at another set of figures.

Once again this week dealmakers have been extraordinarily active, launching bids, influencing the market and generally giving the impression that there are still plenty of undervalued companies around.

The most positive offer came in the leisure sector with a two-part bid for Hilton Hotels from the little-known Golden Nugget, a casino and hotels company with operations in Nevada and New Jersey. The issue is complicated because Golden Nugget needs to acquire a block of Hilton shares in dispute between Barron Hilton, the chairman and trustee for the estate of his legendary father, Conrad Hilton.

It is also the sort of potential David and Goliath combat which investors might have dismissed as ridiculous a couple of years ago—Hilton had net profits last year of \$114m, while Golden Nugget earned only \$8.8m. But T. Boone Pickens has taught everyone the effectiveness of leverage in his assaults on the giant oil companies, and plenty of investors are willing to take a flutter on Golden Nugget—the shares jumped by \$8.50 on Tuesday to \$72.25 in response to the offer.

Sir James Goldsmith also emerged this week with an offer for Crown Zellerbach, the forest products group he has been stalking since last December. The bid caused only a mild flutter in Crown's price, partly because the shares have already appreciated by 40 per cent in the past four months, but partly because there is an extra complication in this deal in the form of a "poison pill" designed to ward off unwelcome takeovers.

Sir James is the first Wall Street bid specialist to try and neutralise one of these new defence devices, so his tactics are attracting great attention among the investment bankers and lawyers who have made such a killing from the takeover boom.

Since there does not appear to be another potential bidder for Crown on the horizon, and since Sir James has rejected the possibility of "greenmail"—the practice of buying out a shareholder like himself at a premium—it looks as though he has thought through a battle plan agreeable to his proposals, he says, his first step will be to launch a proxy fight for boardroom representation.

As the market took stock of these two firm new bids, Pickens was himself down in Washington at Congressional hearings

trading insults with Fred Harlow, the chairman of Unocal, his latest target.

At the same time, his rumours continued to swirl around CBS, the U.S.'s largest broadcasting group, and Gulf & Western, a former takeover specialist whose appetite for gobbling up unconnected companies in the conglomerate era has made it a prime target in the now fashionable process of deconglomeration.

And all this followed one of the biggest non-oil mergers in history—a \$6.6bn deal announced at the weekend between Hospital Corporation of America and American Hospital Supply. Although this agreement involves the somewhat obscure hospital sector, which has only recently emerged as a significant force on the stock exchange, this is a true mega-deal, which Wall Street thinks, could easily be followed by other moves to rationalise the industry.

The abundant takeover activity, however, was not enough to add lustre to the pre-Easter market. With no trading on Friday, Wall Street finished the week showing a net loss on the Dow Jones Industrial Average of 7.73 points, a weakness compounded by comparatively modest trading volumes—the New York Stock Exchange registered only one day with share deals of more than 100m.

The main depressant on prices at the moment is the string of warnings from the corporate sector about first quarter profits. Brokers' reports last week were stuffed with lists of downgraded forecasts, and advice to investors to concentrate on defensive, consumer-oriented sectors.

In the other main area of investor anxiety—the Federal budget deficit—the news from Washington was a little brighter on Thursday, but it still failed to give the equity market its traditional Easter boost. The announcement that some progress had been made on budget cuts, however, with President Reagan agreeing with Senate on a programme that would trim \$52bn from spending in the next fiscal year, led to a sharp rally in the bond market. All eyes will now be on the progress of these compromise proposals to see if they lead to a firm action. Wall Street believes that cuts could lead to a significant decline in interest rates which would, in turn, give a new flip to equities.

Monday	1272.75	+5.97
Tuesday	1265.68	-7.07
Wednesday	1258.05	-7.62
Thursday	1259.05	+0.99

MARKET HIGHLIGHTS OF THE WEEK

	Price Thursday	Change on week	1984/5 High	1984/5 Low	
F.T. Ind. Index	962.5	-1.8	1924.5	755.3	Trend influenced by sterling
Allied Textile	505xc	+113	527	241	Bid from London & Midland
Bentalls	88	+25	88	40	Asset value considerations
Blochleys	575	+35	606	349	Record results
Blue Circle	485	-30	528	355	Concern about U.S. acquisition
Carpets Ind.	59	+10	69	191	Speculative demand
Cookson	693	+138	693	232	Sumner profits/strip issue
Fitch Lovell	210	+24	210	148	Takeover speculation
Grand Metropolitan	295	+17	360	270	U.S. cigarette price reports
Home Chem	320	+28	322	114	Re-rating after results
Lasmo	337	-13	385	257	£67.3m rights issue
Metrar Chemicals	52	+4	58	28	Bid rumours
Oceanic	110	-30	300	105	Company up for sale
Pearson	705	+12	718	403	Annual results/strip issue
Reardon Smith	18	-9	47	4	Spec. bull positions liquidated
RTZ	638	-22	718	500	Prelim. results due April 17
Ultramar	243	+16	361	192	Bid speculation
Valin Pollen	510	+70	510	160	Dutch acquisition
Windsor Secs.	58	+8	62	31	Lander invs. increases stake

Oh fickle fashion . . .

TWO of the USM's more stylish companies are cutting much less of a dash this week. Shares in Cecil Gee have fallen 28p to 140p since the men's fashion chain revealed that only property and currency profits saved it from a pre-tax loss in 1984.

And casualwear group French Connection has plunged from 360p to 270p after its broker cut back profit forecasts from £10m to £7.1m pre-tax. The results for the year to the end of January are due at the end of the month.

Cecil Gee has had a lively time on the USM since being floated in 1983, with the shares climbing as high as 195p late last year following news of bid talks.

Last week's results revealed just how volatile the fashion trade can be—pre-tax profits were down sharply from 1983's record £1.02m to £522,000 despite a strong increase in turnover from £16.46m to £20.65m.

But these numbers flatter the trading performance—the pre-tax profits include £615,000 from a property sale and £230,000 from currency gains drawn from the company's U.S. trading. Without these profits Cecil Gee would have made a £73,000 loss.

The chief cause was a £595,000 write-down on stock in the company's UK chain of high-fashion boutiques for the young and trendy—Gee 2—where the company's expansion plans are concentrated.

Michael Gee, the chairman, said stock had built up because a planned deal to buy 13 shops from H. Samuel, the jeweller, fell through. Though the company eventually bought seven stores, it was too late to cope with the stock which had been bought in advance.

This was compounded by poor autumn trading, brought on by an unusually late summer, which bit many High Street fashion retailers.

Gee said: "We have cleared everything out now. Our shops are full of this year's stock, not last year's like some others."

The company plans to carry on with its expansion plans, opening another nine branches this year to take the group total to 46—including Gee 2, and the more traditional outlets, Cecil Gee, Savoy Tailors Guild and other specialist shops in Central London.

Gee says that it is still too early to give any indication of prospects for 1985. However, profits of £1m pre-tax must be a reasonable target, which, assuming a 50 per cent tax charge, puts the shares on a multiple of 17½, which seems high enough given last year's performance. Speculative hopes that the Gee family, controlling 70 per cent of the equity, might yet sell at the right price are probably supporting the shares at these levels.

At French Connection, meanwhile, the full story has yet to be told. But it is clear that the group's newly-acquired U.S. distributor, Best of All Clothing, has suffered from slow autumn trading in American stores.

Unlisted Securities Market

BAC, where French Connection bought a 50 per cent stake in April, is a crucial part of the group—contributing £2.47m consolidated into the interim profit of £3.84m pre-tax.

Marks said that "basically" the company was performing well both in the UK and in the U.S., but in the U.S. it had met difficult conditions.

The earlier forecasts of the group's broker Grieve & Grant had been "over-optimistic," Grieve & Grant would not comment on this remark but bringing down its forecast by 25 per cent looks like a clear admission that Marks is right.

Although £71m would still be a large increase on last year's £3.27m pre-tax profit, shareholders can be forgiven for feeling a little anxious until the results are out.

Stefan Wagstyl

BASE LENDING RATES

A.B.N. Bank	13 1/2%	Johnson Matthey Bkrs.	13 1/2%
Allied Irish Bank	13 1/2%	Knowles & Co. Ltd.	13 1/2%
Henry Ansbacher	13 1/2%	Lloyds Bank	13 1/2%
Amro Bank	13 1/2%	Edward Manson & Co.	14%
Associates Cap. Corp.	14%	Meghraj & Sons Ltd.	13 1/2%
Banco de Bilbao	13 1/2%	Midland Bank	13 1/2%
Bank Hapoalim	13 1/2%	Morgan Grenfell	13 1/2%
BCCI	13 1/2%	Mount-Credit Corp Ltd	13 1/2%
Bank of Ireland	13 1/2%	National Bk. of Kuwait	13 1/2%
Bank of Cyprus	13 1/2%	National Girobank	13%
Bank of India	13 1/2%	National Westminster	13%
Bank of Scotland	13 1/2%	Northern Bank Ltd.	13%
Banque Belge Ltd.	13 1/2%	Norwich Gen. Trust	13 1/2%
Barclays Bank	13 1/2%	People's Trust	14%
Beneficial Trust Ltd.	14%	Provincial Trust Ltd.	14 1/2%
Brit. Bank of Mid. East	13%	R. Raphael & Sons	13%
Brown Shipley	13 1/2%	P. S. Refson	13 1/2%
CL Bank, Nederland	13 1/2%	Roxburgh Guarantees	13 1/2%
CL Bank, Panama Mge	13 1/2%	Royal Bank of Scotland	13%
Cayzer Ltd.	13 1/2%	Royal Trust Co Canada	13%
Cedar Holdings	14%	Standard Chartered	13 1/2%
Charterhouse Japan	13%	T.C.B.	13 1/2%
Choulartons	13%	Trustee Savings Bank	13 1/2%
Citibank NA	13%	United Bank of India	13%
Citibank Savings	13 1/2%	United Mirabai Bank	13%
Clydesdale Bank	13 1/2%	Westpac Banking Corp.	13 1/2%
C. E. Coates & Co. Ltd.	14%	Whiteaway Laidlaw	13 1/2%
Comm. Bk. N. East	13%	Williams & Glyn's	13%
Consolidated Credit	13 1/2%	Wintrust Secs. Ltd.	13 1/2%
Co-operative Bank	13%		
The Cyprus Popular Bk.	13%		
Dunbar & Co. Ltd.	13 1/2%		
Duncan Lawrie	13 1/2%		
E. T. Trust	14 1/2%		
Exeter Trust Ltd.	13 1/2%		
First Nat. Bk. Corp.	14 1/2%		
First Nat. Secs. Ltd.	14%		
Robert Fleming & Co.	13%		
Robert Fraser & Pms.	14%		
Grindlays Bank	13 1/2%		
Guinness Mahon	13%		
Hambros Bank	13 1/2%		
Hortle & Gen. Trust	13 1/2%		
Hill Samuel	13 1/2%		
C. Hoare & Co.	13 1/2%		
Hongkong & Shanghai	13%		

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£500 or more	9.75%	13.93%
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£20,000 or more	10.25%	14.64%

*The rate may vary. †Equivalent yield for basic rate taxpayers.
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During April 1985, applications sent direct to the managers will qualify for an extra allocation of units in lieu of agency commission. This reduces the turn between buying and selling to 3%. Any discount is borne by the Managers and does not affect the fund. The aim of the Lawson Australian and Pacific Fund is growth. Unfortunately the price of units has fallen from 11p in September 1983 on the back of the fall in the price of gold. Now could be the ideal time to commit money. The portfolio includes ANZ Bank, Bell Group, Bell Resources, Bougainville, BHP, CBA, CSR, Elders, FAL, Hampton Gold, IEL, Lend Lease, Maitland Mining, Posidon, TNT, Western Mining, Vargus, Westralian Gold, Westpac Bank.

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To: Lawson Fund Managers Ltd, FREEPOST, Edinburgh EH2 0DB. (We wish to purchase units in Lawson Australian and Pacific Fund at 4% discount and agree to pay on receipt of contract notes.)

Signature(s) Mr/Ms/Miss

SURNAME

FIRST NAMES (in full)

ADDRESS

APM FT 6/4/85

Fire next door has
damaged my house

BY OUR LEGAL STAFF

I live in a terraced house. The building next to mine was gutted by fire four years ago. Both houses are scheduled buildings, Grade 2. The owner of the burnt-out house has done nothing in the way of repairs and as a result the local council brought a compulsory purchase order against the owner who has now appealed against this and the appeal will be considered in due course by the Ministry of Environment. Meanwhile damp has penetrated the party wall in two places. The solicitor acting for the owner tells me that any claims I may make will be the responsibility of the council if and when the appeal goes in its favour. The solicitor to the council denies this. There seems to be no object at present in repairing the damage done as further damage may well occur until such time as a roof is built over the burnt-out shell. My insurance company, having paid for repairing damage done to my house at the time

of the fire, disclaims any further responsibility. What do you advise? The better view is that the council will be liable once it has either entered or served notice of entry under the CPO. Until then the person whose interest the council is seeking to purchase would be liable. If necessary you can claim against both and if each seeks to pass the responsibility onto the other you can sue both in the alternative.

Title deed
held back

I purchased a leasehold property in December 1983 and discovered that the title deed was still with the landlord/vendor or another party. I was advised to take legal proceedings against the solicitor who was handling my conveyancing. After several months of

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

correspondence between the two solicitors, he finally advised me to take legal proceedings against the landlord/vendor or another party. He reckoned I should mitigate my loss from one of the three parties still holding back my title deed. This should be carried out first before I can prove my first solicitor's negligence. The law society always advise one to engage a solicitor to handle one's conveyancing rather than a conveyancing body as the latter is uninsured. I feel I am not protected because if I took his advice it would cost a lot at the end of the day.

If your first solicitor has correctly handled the conveyancing you should be able to force the vendor to produce the requisite deeds; and you should require the solicitor to defray the cost of doing so himself. Otherwise you would have a claim against the solicitor for not conducting the transaction properly and negligently allowing you to part with the purchase price. In either case you could also claim a small sum in respect of the anxiety and disruption caused to you.

Lecturing
in Sweden

I lecture occasionally in Stockholm for a government agency. Until recently I was paid for my services purely on a personal basis. I have now been told by the Swedes that there is a requirement for such payments to be made only to a company because of an international taxation requirement. They are now asking me to set up a company so that the alleged requirement can be met. Is this requirement fact or perhaps simply a misunderstanding of the legal position?

Up to the end of 1984, your lecture fees were exempt from Swedish tax by virtue of article XV of the Sweden-UK double taxation convention of July 28 1960. With effect from New Year's Day, article 14 of the convention dated August 30 1983 makes exemption conditional upon your spending no more than 183 days in Sweden in any period of 12 months. If you do not want to form a company (and we do not recommend that you should), you will probably have to claim exemption on the anniversary of the end of each lecture trip, when you can prove that you have not exceeded the 183-day limit. You should find copies of the conventions (old and new) in a local reference library.

Mr Pavitt plays his trump card

BY KENNETH MARSTON

MR EDWARD PAVITT MC does not have a lot to be cheerful about these days. Nor do most other South Africans against the background of domestic political tensions and a slowing of the economy which, coupled with rising inflation and high interest rates, is leading to some tightening of belts—an experience which must be new to many of them. As chairman of the big General Mining Union Corporation (Gencor) mining and industrial group, Ted Pavitt had to announce last month that its 1984 net profits had fallen to R253m (£121.5m) from R311m, despite a 24 per cent rise in income from exports of precious and base metals sold for high value U.S. dollars.

Apart from losses at some of its South African industrial operations, the main reason why Gencor came unstuck was that its financing costs were boosted by high interest charges, increased borrowings and, in particular, paying a high price in exchange losses for taking a wrong view of exchange rate movements.

Still, Ted Pavitt has been putting a brave face on things. In the annual report this week, to this end he has had the advantage of being able to play an ace which has been up his sleeve for some time now.

It is that Gencor is now satisfied that it has a potentially payable new gold mine at its Poplar prospect in the Leandra district of the Transvaal. This is close to the group's existing Evander area gold operations which include Winkelhaak.

His qualification regarding Poplar is: "provided suitable arrangements can be made in regard to taxation and mining rights." In other words Gencor is looking for a helpful tax formula for Poplar under South Africa's fairly flexible mining tax-system.

The newcomer would be smaller than the group's young and good quality Beatrix gold mine but of a similar grade. If it goes ahead Poplar would mill about 80,000 tonnes of ore per month at an average yield of 5.5 grammes gold per tonne and would have a life expectancy of 20 years.

It would cost some R500m, which gives food for thought when Gencor's already inflated long term debt position is considered.

Gencor will now be getting back some R100m from the offer of about a quarter of the Beatrix share capital. If it is decided to go ahead with Poplar, the group can also be expected to make a flotation of the latter's shares in due course.

Ted Pavitt makes no bones about the difficult trading conditions facing Gencor's South African industrial interests which "could deteriorate further before an upturn occurs." However, group earnings over-

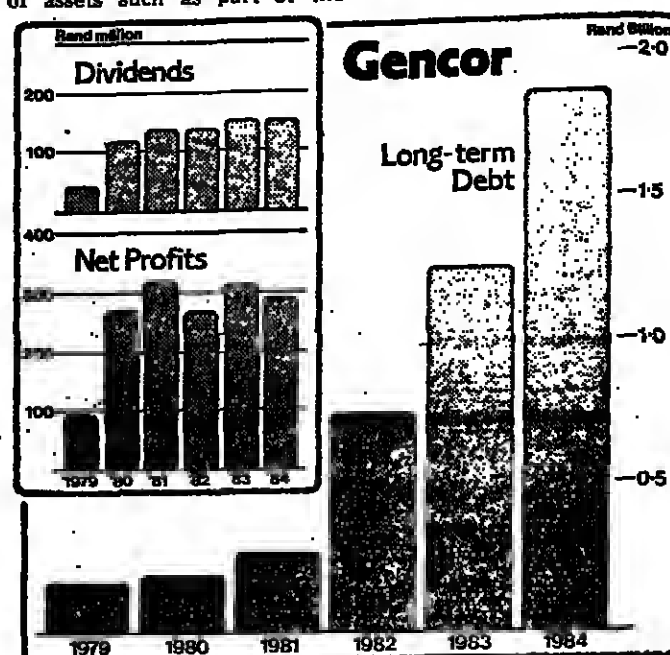
all this year are expected to be no less than in 1984. He bases this view on the expected contribution of the new projects, such as Beatrix, developed over past years and, importantly, (hopefully?) to lessons learned from the foreign exchange debacle of 1984. Yielding just over 7 per cent the shares are not expensive, but the market will want to see positive signs of improvement in the results for the first half of the year.

Another company with a debt burden is Canada's Northgate Exploration which, these days, is mainly involved in mining gold and copper at its Chibougamau operations in Quebec. If they were in, say, South Africa Northgate would be happier because their dollar sales would be worth a good deal more in weak rands.

They are good mines, but the Canadian dollar has not fallen as much as other currencies against the U.S. dollar and so Northgate is not doing well. To make matters worse, it has heavy interest payments to make on its large borrowings and, in fact, has only been getting by with the help of sales of assets such as part of the

holdings in the gold-producing Whim Creek. The chairman, Mr Pat Hughes, has said in the annual report this week that other methods of reducing the debt will have to be examined. But the most hope of a way out of this vexatious situation probably lies in a further easing in the U.S. dollar to a level at which Northgate's Canadian mines can obtain much better prices for their output.

The Rio Tinto-Zinc group's Palabora copper mine in South Africa which has been able to boost profits while so many other producers of the metal struggle with uneconomic prices has run into a technical problem. Cracks have appeared in two of the shells of the big ore-grinding mills. Repairs will take about 60 days but the production shortfall during this period should be made up by drawing upon stockpiled material. What remains to be seen is whether the repairs will prove permanent or whether Palabora will have to face the time-consuming and costly process of installing replacement shells. Incidentally, the parent RTZ's 1984 results are due to be announced on April 17.



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PROVIDENT MUTUAL

Extract from Chairman's Statement—Mr. David L. M. Robertson

Results
1984 has been an eventful year for the insurance industry starting with the loss of life assurance premium relief in the March budget and continuing with the announcement on portable pensions, as well as the submission of evidence to the Inquiry into the Provision for Retirement and also to the Department of Trade and Industry on the proposals on investor protection. A white paper has now been published on the latter which will have far-reaching effects when the necessary legislation is in place to support the planned self-regulatory bodies. Much of the detail has yet to be clarified but the Association anticipates no difficulty in meeting the proposed requirements, which include the licensing of salesmen, agents and intermediaries and a fuller disclosure to intending policyholders of commission levels payable to intermediaries. Although it is early days yet the prospect for an industry agreement on maximum commissions now looks brighter. During 1984 no agreement was in place in the market and a tentative truce on levels of commission payable was seen to be crumbling as the year progressed.

New business results for the industry show that combined new annual and single premiums increased by 18%. A substantial amount of business is now being written on a single premium basis rather than annual premium basis, throughout the industry, and this trend exists in the Association. Our own figures at £175.9m (£122.9m) show a 43% increase of which £107.9m (£58.5m) was attributable to the Managed Pension Fund and the balance of £68.0m (£54.4m) to the Association. The figures are split between annual and single premiums as follows: Association, £36.8m (£31.6m) annual premiums, £31.2m (£22.8m) single premiums; Managed Pension Fund £10.8m (£11.2m) annual premiums and £57.1m (£57.3m) single premiums.

Investment
The Association's equity investments produced further capital appreciation in 1984 as stockmarket prices rose significantly for the third year running. The total return on UK equities, using the Financial Times-Actuaries All-Share Index as a yardstick and including gross income, was 32% in 1984 compared with 29% in both 1983 and 1982. This remarkable run of figures reflects the substantial growth in corporate profits and dividends over the period but also includes an element of revaluation as average initial dividend yields fell from 5.9% to 4.4%. With the growth of profits and dividends likely to slow down, future returns are expected to be more modest although they should continue to be satisfactory in real terms unless the UK's economic performance deteriorates or inflation which has been stable for the last two years rises.

Although overseas equity markets, as measured by indices in sterling terms, produced a similar return to UK equities, a large part of the gain was from currency appreciation and the major markets of USA and Japan were much more difficult markets for investors, particularly those like ourselves with portfolios orientated towards long term growth stocks. Furthermore a decision to hedge part of our US dollar exposure reduced gains in sterling terms and thus for the Association the UK proved more rewarding than overseas in 1984.

Managed Pension Fund
As indicated a year ago prospects for the new business of our subsidiary, Provident Mutual Managed Pension Funds Limited, were good and in the event net new money for investment rose to £168m from £118m. A further 158 new pension fund clients invested with us and total assets grew from £395m to £644m.

The decision was taken towards the end of 1984 to extend the range of services offered by our subsidiary company to include portfolio management for pension schemes on a segregated basis. Whilst our pooled funds have proved their appropriateness as an investment medium for pension schemes by their growth, it is clear that many pension schemes, particularly the larger ones, prefer the segregated approach. Your Board has been keen to ensure that this new service can be provided in an effective way without diluting our investment effort in respect of our existing funds. We are confident that the additional resources we are putting in place will achieve this objective.

Pensions
A subgroup of the Inquiry into the Provision for Retirement has issued a consultative document on personal pensions, a highly emotive issue. This document has drawn a wide response from the pensions industry, pointing out that the proposals leave a number of important questions unanswered, in particular the problems of administering a clearing house for portable pensions as well as the need to require an adequate minimum contribution if contracting out is to be allowed. It seems that these initial proposals may need to be modified in the light of the main inquiry's findings. The major concern to the industry, however, is that a successful partnership between state pensions and occupational schemes is maintained by all-party agreement on the level of state provision. There is grave concern that the present government will pay insufficient regard to this requirement leading to possible further changes depending on the party in power.



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Japan, UK Equity, European, and North American. They are specially designed to offer maximum investment potential in the medium to long-term. You should always remember that the price of units and the income from them may fall as well as rise.

Launch Price Offer

By joining us on the ground floor, units may be purchased at the price of 50 pence for a limited period until 23rd April, 1985. After this date you may only buy or sell units daily at prices ruling on receipt of your instructions.

A special introductory offer of £500 minimum investment is available to 30th June, 1985. Thereafter, the minimum investment will be £1,000.

*Money Management statistics tables.

The advantages of getting in on
the ground floor of an investment opportunity

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YOUR SAVINGS AND INVESTMENTS

Clive Wolman on an unprecedented bond offer
When zero spells profit

SAVERS with several thousand pounds to stash away for a few years have overlooked the bargain on offer in London's largest securities market, the Eurobond market, which has sprung up over the past 20 years.

The typical Eurobond purchaser is popularly seen as a corrupt Third-World Government official with black money to salt away, or a Belgian dentist concealing his wealth from the tax man or from an estranged wife, or from both.

This image, encouraged by the secrecy surrounding the bond-holders, may contain a grain of truth. But that is no reason for turning up your nose at the paper now on sale.

A sounder objection to using Eurobonds has traditionally been that they do not offer as attractive or secure returns as our British Government, gilt-edged, securities.

But, over the past 10 days two UK companies, Redland and Pearson, the Financial Times parent company, have issued an unprecedented type of bond with particular tax and cash-flow advantages for UK investors.

Deeply discounted, zero-coupon corporate bonds sound horribly technical. But you should take a closer look if you fall into any one of the following categories:

ing categories:

● You can afford to lock away your cash for seven years and do not want continual worries about switching and re-investing it.

● You believe interest rates are unlikely to rise in the near future and may well fall.

● You will be moving into a substantially lower tax band at some point over the next seven years, perhaps because you are retiring or planning to spend a period working abroad.

The principle behind such bonds is that you lend a company money for what may be a long period (in the Eurobond case, seven years). You receive no interest until repayment day—and then you get back far more than you lent.

Thus you can buy the smallest lot of Redland or Pearson Eurobonds for about £473 and on the redemption date seven years hence you get back £1,000. The day you have to hand over your money is April 25 for Redland and May 7 for Pearson. The adjacent chart shows how the price of a zero-coupon bond is likely to move over seven years.

This arrangement avoids the administrative headache suffered by those gilt investors not wishing to spend their semi-

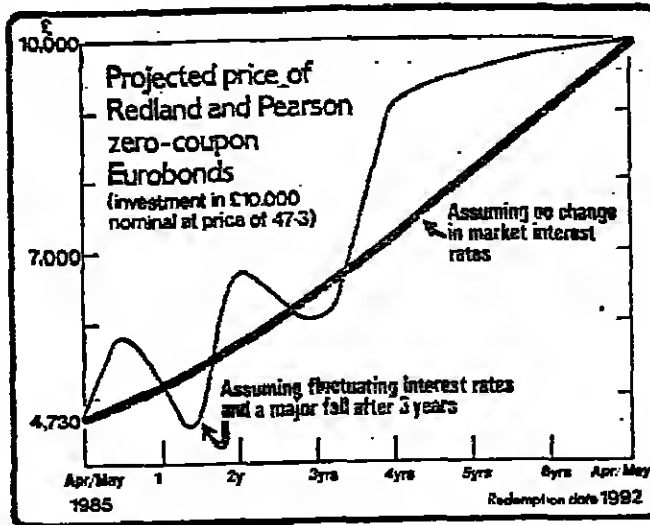
annual interest payments and having to seek out a home to re-invest their money.

If interest rates have fallen since the gilt was purchased, the investors will also receive a lower return from their re-invested cash. But if interest rates rise, the returns from the re-invested money will be higher.

Zero-coupon bonds are more risky than conventional gilts or other bonds firstly because you lock all your money into one interest rate only. If inflation and interest rates rise substantially over the next seven years, your real returns will be disappointing. There is also a comparatively greater, but still minuscule, risk that a Eurobond issuer could default on its debts.

Because you receive no interest until the bond is redeemed, or until you sell it, you have to pay no tax in the interim. But when you cash in your bond, all the uplift in your capital will be subject to income tax. However, if you are resident abroad for tax purposes in that year, you will probably avoid all tax on your profits. But check out the tax rules of the foreign country.

The bonds may also be attractive to people in their late 50s whose children have left home and now have surplus cash to invest to supplement their pen-



sion. If they are in a 50 or 60 per cent tax bracket, they should avoid receiving any current taxable income. But if they expect their marginal tax rate to drop to only 30 per cent after retirement, the returns from zero-coupon bonds will be much higher.

The two zero-coupon bonds from Redland and Pearson offer a further tax advantage. If you hold them to redemption you will have to declare the income only on your 1992-93 tax returns and pay the tax about 18 months later.

This deferral will boost the after-tax yield from holding the bonds in redemption to 8.75 per cent for an investor who is a 30 per cent taxpayer in 1992-1993 and to 7.88 per cent for a 40 per cent taxpayer. For a non-taxpayer investor the expected yield will be about 11.2 per cent when the bond is cashed in.

For taxpayers, these rates are slightly below the 8.55 per cent tax-free interest from the current issue of National Savings certificates. But the certificates have to be held for five years to avoid an interest rate penalty, whereas Eurobonds can be sold at any time. Also an individual may invest a maximum of only £5,000 in any one issue of National Savings Certificates.

The other savings instrument which allows you to defer all tax on the interest until the year of withdrawal is the offshore roll-up funds. Most of these are managed by the major clearing banks and merchant banks and are based in the Channel Islands. Their interest rates, tied closely to the money market rates, are now about two percentage points above the pre-tax yield on the Eurobonds. But these rates move up in line with market rates.

To invest small amounts in Eurobonds—less than £50,000—you should go through a stockbroker, who will deal with one of the main market-makers. The commission should be about the same as that for dealings in other corporate bonds, about twice the rate for gilt deals. The merchant bank Morgan Grenfell is the lead manager for the Redland issue, and Lazard Brothers for Pearson's.

Eurobonds are issued in bearer form. Your name will not be registered anywhere—considered an advantage by those seeking to evade tax—but if you lose the bond certificates, you will also lose your money. So you should either leave your bonds in your bank, or make special arrangements to have your name registered.

Taking counsel over councils

George Graham looks at local authority issues and their future.

PRIVATE investors put £200m into local authority bonds last year. This year they face two worries, one political and one financial.

Investors may be put off by the brouhaha over rate-capping rebellious councils. In addition, they must come to grips with the Chancellor's recent moves to eliminate the practice of bond-washing.

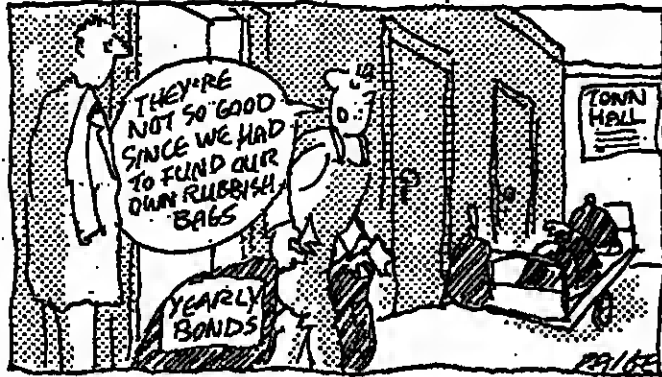
Most private investors who put money into local authorities do so through yearling bonds. These are fixed interest securities repayable after one year.

A variety of councils issue these yearling bonds each week, so there is always a bond available with an expiry date that suits you. For this reason stockbrokers often use them when there is no British Government gilt-edged security with interest and repayment dates that suit their client's needs.

These bonds are not guaranteed by the Government, as gilts are. And when you apply for a particular week's new issue you do not know in advance which local authority has issued the bond you are buying.

But investors who are worried that a rate-capped local authority might default on its bond can be reassured. Most brokers feel that the possibility of a default is remote. But in any case they point out that the rate-capped councils have not used the yearling bond market since November.

Investors do not have to worry that they might be buying a new bond from suspect



local authority.

There are, in fact, fewer new issues now. One stockbroker who handles a large proportion of the business estimates that the new issue has dwindled from £20m a week to around £7m.

Until six weeks ago, you could buy a bond when it was issued and sell it again after five or eleven months, just before the half-yearly dividend; were paid. The price at this point would include the value of the interest due. But the investor would be liable only to capital gains tax from which he has a generous annual exemption amount, rather than income tax, at a rate of up to 60 per cent.

Since the Chancellor has moved on February 25 to ensure that this accrued interest will be subjected to income tax, local authority bonds are now being held increasingly to their maturity dates. The only exceptions to the new rules are if you hold bonds (including gilts) with a nominal value of under £5,000—or can take advantage of the transitional arrangements to next February.

There may, however, still be some advantage to selling before you receive the dividend. If you receive the interest payment, it will have basic rate

tax deducted from it already. But if you sell the bond before the dividend is due, you will receive the accrued interest included in the selling price. You may have to pay income tax on it eventually, but will have the use of the money for some months before you have to pay the Inland Revenue.

In the secondary market, buying and selling the bonds during their one year of life, it can make a difference which council has issued the bond. Most local authority bonds are now selling at a yield of around 12½ per cent, according to Manchester Exchange group, a finance house which specialises in the bond market. But those from the 18 rate-capped authorities yield around 13 per cent.

At these rates of return, stockbrokers question whether the odds are good enough to encourage an investor into the local authority market at all. As one partner in a large firm asked: "Why bother to take the risk on local authority bonds when the rate from bank deposits is so good?"

But investors who believe that interest rates are now going to move downwards can lock themselves into current rates by using these fixed interest certificates.

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RESULTS FOR THE YEAR ENDED 31 JANUARY 1985

	1985	1984	
OPERATING INCOME	£4,530,000	£3,613,000	+25%
PRE-TAX PROFITS	£3,539,000	£2,461,000	+44%
EARNINGS PER SHARE	12.9p	8.3p	+55%
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YOUR SAVINGS AND INVESTMENTS

Giving fund managers the shakes

Clive Wolman explains the hopes and fears over U.S. competition

"IT WON'T be long before the Yanks hit London in a really big way. Then all of us will become rich."

Was that an extract from the pep-talk of the Grosvenor's chief porter to new recruits? Or maybe the words of a floor manager at Harrods? Or that taxi driver on the Heathrow run with a permanently jammed meter?

No, no and no. The prediction was made in January by a stockbroker who deals in the investment trust sector. And when he said "we," he didn't mean just himself and his commission-hungry salesmen, but anyone prepared to invest in the funds.

Sure enough, last week, the leading American specialist in the sector, Thomas Herzfeld, flew from Miami to London with £80m to spend on shaking up the UK's investment trusts—and tough words of the sort that lead trust managers to look afresh at the attractions of early retirement on the south coast.

Over the last decade, investment trusts have been put on the shelf and allowed to languish while their more glamorous rivals, the unit trusts and the unit-linked life assurance funds, have stolen the hearts of private investors.

Both investment and unit trusts are designed to allow investors to take small stakes in a broad spread of company shares while offering them the supposed bonus that the shares are selected by highly-skilled fund managers.

Unfortunately, the existence of such a bonus has been continually discredited over the past 20 years, ever since business school professors discovered their students could be mobilised to feed reams of investment returns from the fund managers into their computers. In nine cases out of 10, they demonstrated that the little man would have done just as well on average picking the stocks by himself, blindfolded.

But to make money out of investment trusts, according to Herzfeld, you don't need to rely on your fund manager picking those stocks which will rise the fastest. Although he is sceptical about the performance claims of UK fund managers, his enthusiasm for the sector is infectious. "I'm like a child in a toy shop," he said at the end of his visit. "I want to buy everything I see."

How can you possibly make money out of an investment trust without depending on the investment performance of its



Stirring words: Thomas Herzfeld

manager, as measured by the rise (or fall) of the fund's net asset value?

The answer lies in the way stakes in an investment trust are bought and sold. If you want to invest in a unit trust, you buy each unit from the fund manager at a price tied to the value of the underlying assets in the fund. The unit price rises and falls in line with the asset value. The shares of an investment trust, however, have to be bought and sold on the stock market. The difference between the share price and the value of the net assets of the fund per share can vary substantially.

Since the early 1970s, the shares of the average investment trust have traded at a discount to its net assets, which has fluctuated between 20 and 40 per cent. The average discount for the sector at present is relatively low at around 24 per cent. If you could buy shares now at that discount, and sell at a price which realised the full value of the underlying assets, you would make a profit of about 32 per cent (minus dealing expenses), assuming the value of the underlying assets has not changed.

There is a risk that the underlying assets could fall in value over the period of your investment. But in the U.S. market, at least, Herzfeld has been able to use options and futures to lay off stock market risk and protect his investors.

Ten years ago in the U.S., the share prices of investment trusts, or closed-end funds as they are called there, also were trading at large discounts of around 25 to 30 per cent. But within just a few years, the dis-

counts of most funds were eliminated. Herzfeld, who has been researching and trading in closed-end funds since the mid-1960s, draws a lesson from that experience.

There have been two great buying opportunities in my career," he says. "One was in the U.S. in 1973, the other is in the UK today." In fact, the potential profits from the UK are greater, if only because the UK investment trust sector is more than twice the size of its U.S. counterpart. Its net assets amount to about £18bn and it accounts for about 5.5 per cent of the capitalisation of the UK stock market.

Herzfeld believes the factors that led to the shrinking and elimination of closed-end fund discounts in the U.S. late in the 1970s are present in the UK today.

Perhaps the most important was the predatory activities of large institutional investors. They would buy up shares in a fund, win majority control, sack the fund managers and realise the full net asset value of the fund by selling off the shares in its portfolio. This gave shareholders a windfall profit. Those funds that survived benefited from the contraction of the sector.

In the UK over the past few years there have been occasional outbreaks of similar "asset-stripping"—or "asset liberation," as its advocates call it—but, so far, no consistent trend has appeared. Herzfeld is expecting action, however, not least because of the introduction next year of negotiated stock market commissions and the associated shake-up of the financial services sector.

Herzfeld says he has the clout to stir up the "dormant British scene." The \$75m of clients' money under his management, which he expects to rise to \$100m over the next few months, would be enough to catalyse a series of take-overs and liquidations of smaller trusts.

But many of those trusts are on relatively narrow discounts

of only 15 to 20 per cent. It is the giant trusts, with £100m to £200m of assets, that are on the most juicy discounts—but Herzfeld is too small to buy the 20 or 30 per cent of the shares needed to launch a serious takeover bid.

Herzfeld spent much of his week in London seeing the managers of most of the insurance companies and pension funds with the largest stakes in the investment trust sector.

Few of them are prepared to initiate take-overs, he says, because of social and professional links. "Some told me that if I would initiate, they would support. I didn't go to school with any of the fund managers and I have no fears of being blackballed in a country club or thrown off a board of directors."

According to Matthew Oakshott, Courtauld pension fund manager, "He has done a lot in the States, but here it is a more delicate operation. You need to know the politics backwards—which people will support you—to be effective."

One of the groups Herzfeld singles out as ripe for "corporate activity" is the seven investment trusts managed by the merchant bank Kleinwort Benson, with net assets of around £450m. But, he says, most of his activities will not be predatory. For more "constructive" reasons, he has just invested \$1m in the giant Global Investment Trust. "I don't want to leave a trail of destruction in my wake," he says.

His other major reason for expecting large profits in the UK is that investment trusts are the strength of the U.S. dollar. For Americans, overseas investment is now unprecedentedly cheap. And one of the simplest ways of investing in overseas equities is via an internationally diversified investment trust managed from London.

Other Americans who have tried to stir up the sector have found the going rough.

And many sector specialists will remain sceptical of Herzfeld's plans until they see more money.

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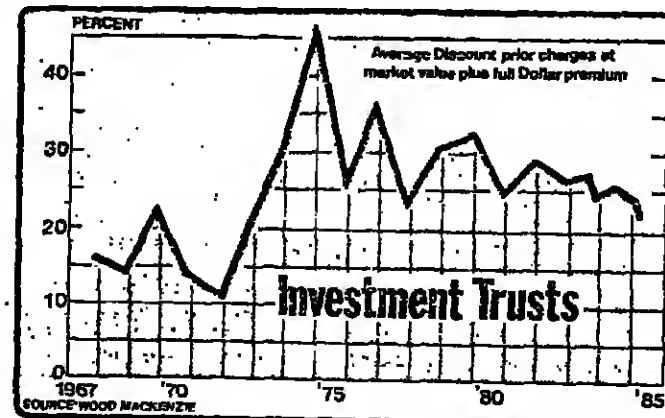
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IF YOU own unit trusts, shares, bonds, a second home, gold coins or any other asset, you bought before April 1982, the reforms in capital gains tax announced in last month's Budget could save you up to several thousand pounds.

As explained on these pages over the last two weeks, the reforms extend the provisions which allow you, when selling assets, to make adjustments for inflation since March 1982. However, to take advantage of the new rules, you need to know the value of your assets on March 31 1982, and also, if you have been holding on for long enough, on April 6 1965 when CGT was introduced.

The Financial Times is publishing a booklet entitled Capital Gains—the Key Figures for Calculating your Tax. It contains the closing prices on March 31 1982 of

all the shares quoted on the UK stock market which appear daily in the FT, all the leading shares and bonds quoted on foreign stock markets, all the major authorised unit trust prices quoted in the FT, plus gold coin and other metal prices, exchange rates and the Retail Price Index since 1982. A similarly comprehensive table of prices on April 6 1965 is also included.

An explanation of the budgetary reforms and how to make the best use of them to reduce or eliminate your CGT liabilities appears alongside the tables.

The booklet, price £4.50 including postage and packing, will be available after April 18 from: Nicola Banham, Publicity Department, Financial Times, 10 Cannon Street, London EC4A 3DF. Tel: 01-248 8000 ext 4895.

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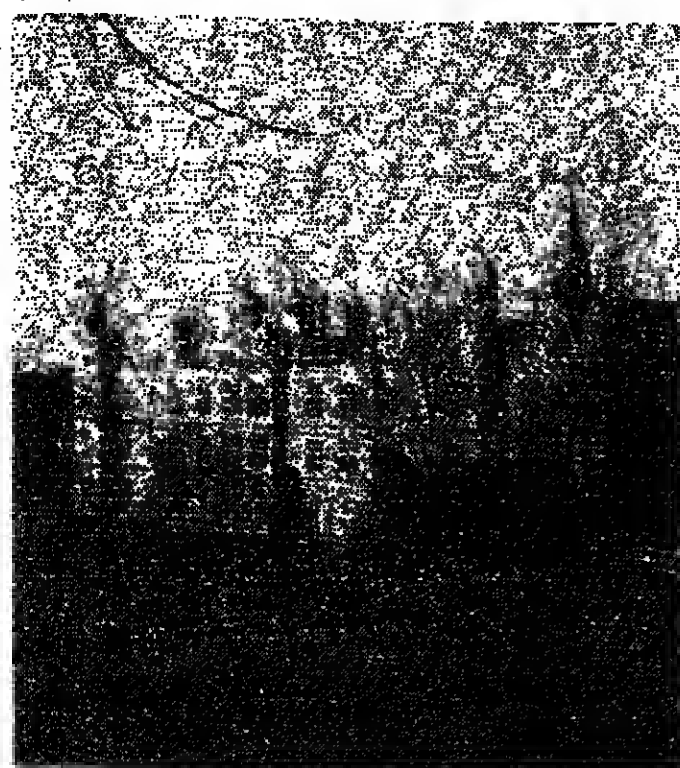
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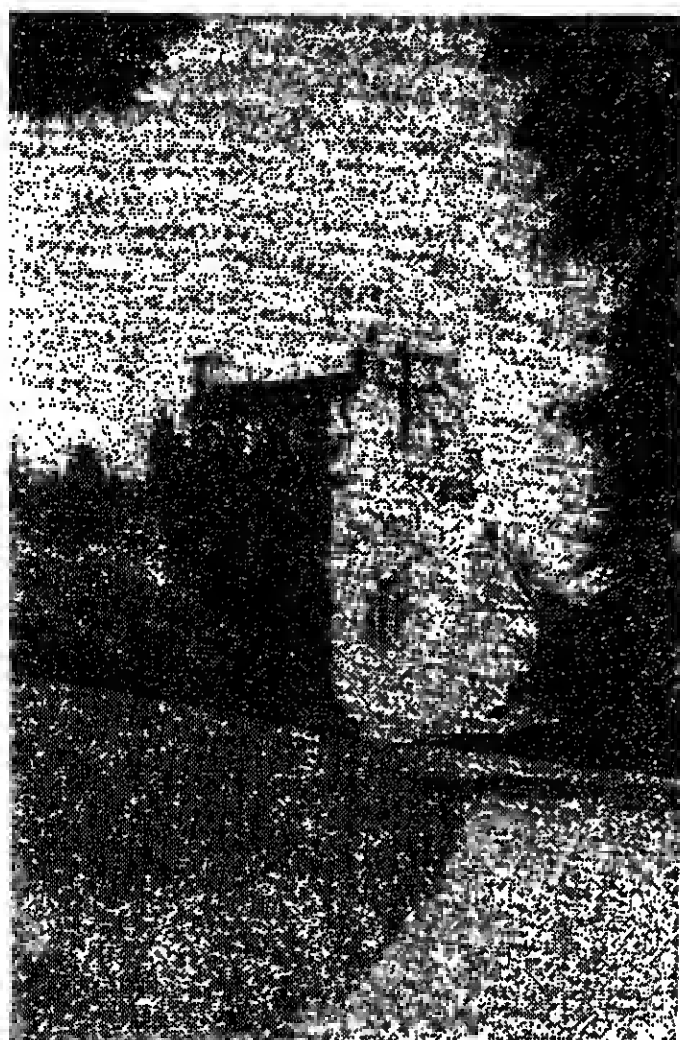
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DIANE STEWARD

STATELY HOMES



Burghley House, Lincolnshire



Crathes Castle, Scotland

Arthur Sandles on Britain's housing heritage

Chippendale with everything

PRIDE, they do say, is a terrible sin. But it is difficult to feel anything but pride in Britain's remarkable stock of country houses. This weekend the house-visiting season in Britain starts in earnest with lords, ladies and their siblings dusting down the Chippendale and putting the final horticultural touches to the Capability Brown landscapes.

It is difficult to find a spot in Britain that is more than a half hour's drive from an historic house of some sort. In the far northern highlands you may have to go a little further at times, but you will do so in splendid scenery and be rewarded with such sights as the turret and palace of Dunrobin Castle or the sturdy fastness of the Macleods Dunvegan Castle. In the fat, fruitful shires of Warwick, Hereford and Worcester you can hardly move without falling over stately stone-work—Hagley and Ragley, Little Malvern Court and Harbury Hall, Cogton Court and Eye Manor.

Britain owes its stock of fine houses to two major factors, wealth and domestic peace. The settled social nature of the country freed a section of society to make money and enabled them to flaunt it. They were fortified residences of the type so often seen in Europe when it was most unlikely that either your neighbours or your workforce would take up arms against you.

Monmouth's perambulations around the West Country—celebrated this year under the publicity seeking title, The Fitchfork Rebellion—were the last real baring of civil strife in England, and that was 300 years ago.

In Scotland things settled down a little later, and it shows in the architecture of the houses. Many are plainly military establishments and many others would adapt easily to defence should some local skirmish provoke the need. The earlier mentioned Dunrobin was not built in its present form until the 1830s.

English country houses, from the grand to the bijou, are an endless delight and fascination. They reflect not only wealth, power and security but also the facility for self-indulgence that such assets bestow. No planning authority today would approve the idiosyncratic skyline provided by the roof Burghley in Lincolnshire, and no public body would play with landscaping as has been done at Stour-



head on the Wiltshire, Somerset and Dorset borders. Self-facing little properties (I use the word little in a comparative sense, oh that I could aspire to such modest lodgings) as Firle Place in East Sussex are treasure boxes of books, paintings, porcelain and, at times, eclectic tastes in the gathering of global momentousness.

Much as one must admire the work of the National Trust it is in the houses that are privately owned that one sees this idiosyncrasy still at work. Private owners do not have to look over their shoulders at committees in order to experiment a little. The Comptons can thus display their interior decorating talents at Newby Hall, North Yorkshire and the Lloyd family, notably the noted Christopher Lloyd, have been able to continue the work of Lutyns at Great Dixter in East Sussex.

It is personality which is the great problem for the National Trust. It has, thank heavens, avoided the horrors that so many French houses offer in the form of humdrum hulks of once-upon-a-time grandeur.

But there is still a worry over creeping uniformity. As this column has noted before, this is particularly the case with gardens, which need living creative attention from individual gardeners. Unlike the houses, gardens grow and cannot be preserved in architectural apic for future generations. But that is carping. Let us get back to the matter in hand.

The dilemma with planning visits to houses is that the weather is so unpredictable. This year the chilly start to spring has held things back a little but the buds are beginning to burst and there should be a good display of daffodils, the crocuses are still around even if the snowdrops have departed.

Given a fine day it is good walking in the path weather.

If it is wet then one must look to the houses that have plenty to fascinate inside and with a car park near the property. These tend to be the bigger houses. Be warned, however, the really big ones like Longleat, Woburn and Beaulieu often have special events over public holiday weekends. At Longleat the springtime attraction is an orchid festival. It might be worth checking that the event in question is your sort of happening.

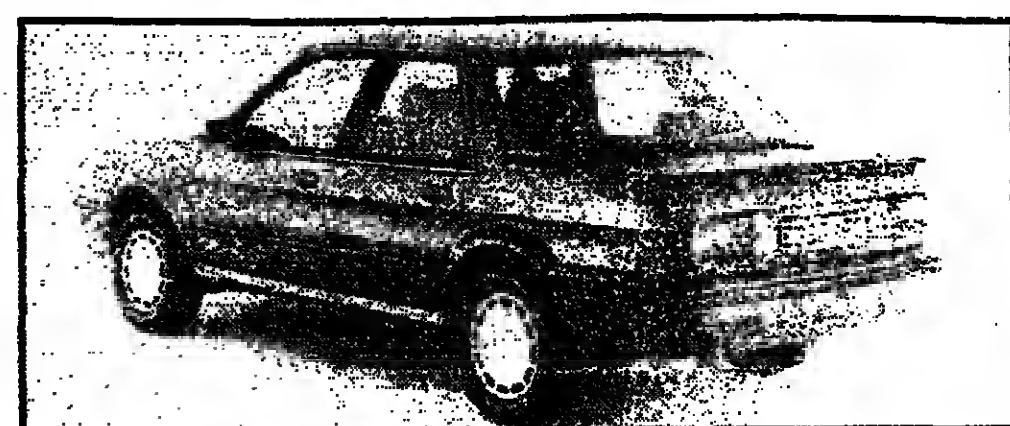
If you are a regular country house visitor it is well worth joining the National Trust (£12.50 per one person, £20 for a couple and £25 for a family). You then get free admission to Trust properties.

House entry fees vary enormously but there are three broad divisions—around £1, just under £2, and around £3. What with cream teas and visits to the gift shop and the garden centre it can prove expensive.

And my own choice? Well, since I shall be spending the weekend in the West Country there will probably be a family argument over the rival attractions of Montacute, a joyful combination of a fine house which has seen highly personalised touches over the ages and a superb garden, and Brympton d'Evercy, a Tudor house which I have yet to visit. In the latter case I am intrigued by Neil Burton's note that "the gardens are largely the creation of Lady Georgiana Fane, who nearly married the Duke of Wellington. Instead she formed

Further information: Mr Burton is the author of the *Sunday Telegraph Historic House and Castle Handbook* (£5.95). There are two companion bookshelf works (they are far too good to be called coffee table books) published by Jonathan Cape, *The Country House Guide* by Robert Fadden and John Kenworthy-Brown (my copy cost me £5.50, it may have gone up) and *The National Trust Guide* by Robert Fadden and Rosemary Jorke (£12.95). In libraries and secondhand bookshops you may find a 1983 edition of the *Which? Heritage Guide* which is now out of print. It is an extremely useful book to keep in the car since it lists not only houses but also museum and other historical attractions. The fact that it is out of print suggests that no one else agreed with me.

MOTORING



Sheer driveability: the MG Montego Turbo

Caveat emptor and commonsense

CRITICISING A consumer protection organisation is liable to make one highly unpopular in progressive circles—but do these worthy bodies always get it right? Let me put my head in the lion's mouth.

Recently, the Consumers Association issued an urgent warning to motorists about the Toyota Space Cruiser. Having tested four of these multi-purpose vehicles, CA found they had potentially dangerous brakes. They were said to slow unpredictably from 30 mph and perhaps eed up broadside from 60 mph, presumably under emergency braking. CA asked Toyota to suspend sales "until the problem had been resolved" and advised owners "to drive with the greatest care... and keep plenty of distance between you and the vehicle in front." (Shouldn't one always do so?)

Toyota GB, the importers, flew in a team of Japanese engineers to investigate. It reports that no problems have arisen with any of the 2,200 Space Cruisers it has sold in Britain in the past three years.

Obviously, a front-engine, rear-driven vehicle with the layout of a forward-control panel van is more likely to lift its back wheels during emergency braking when running light than when fully loaded. In the same way, it is easier to lock a lorry's back wheels when it is empty than when it is carrying 10 tons of sand. That being so, might it not be prudent for a driver to modify his technique accordingly?

Some time ago, American manufacturers of four-wheel drive Jeep-type vehicle were under fire from consumer protection interests. They were accused of endangering the public by making vehicles that turned over easily. Since then, they have had to stick notices on fascias solemnly warning

THE MONTEGO Turbo saloon is the fastest production car ever to wear the MG badge. It is, says BL's Austin-Rover Group, good for more than 120 mph and will go from a standstill to 60 mph in 7.3 seconds. What impressed me most when I tried it briefly in pouring rain recently was its sheer driveability at normal speeds. The two-litre "O"-series engine has an unfashionably long stroke and pulls like a heavy truck's diesel at low revolutions. It is so flexible that you can stay in fourth or fifth in traffic when other sporting cars might need second or third. Yet, it whips willingly, if

not silently, up to quite high rpm for the hard driver, showing over 80 mph in third and 100 mph in fourth gears.

The Honda five-speed gearbox has an excellent change and fairly close ratios. The power steering and wide Michelin TDx tyres of the Montego Turbo I drove gave almost twice as quick response, but hung on well through bends and rode very smoothly and quietly.

Will it tempt BMW owners to buy British I doubt it, but it could be ideal for a Rover 2600 driver looking for something smaller and different. The price is...

users that an on-off road machine with high ground clearance and stiff springs won't so round corners exactly like a family saloon.

Am I being unreasonable in feeling that anyone with the wit to drive a thing like a Jeep or a Land Rover should be aware that it is not going to behave on a bend like a normal car? Conversely—should Ford Escorts and Austin Montegos have stickers saying they won't climb 43-degree slopes covered in mud, or across ploughed motorway. When he went back fields?

I would be the last person to deny the value of organisations like CA in protecting buyers from dangerously shoddy goods and from possibly misleading advertising claims. But there is such a thing as horses for courses—and don't consumers have responsibilities as well as rights?

Consider another example. A man had a tyre burst while driving a Triumph Stag on to the supplier from whom he had bought a pair of tyres for £25 each, he was sold a replacement for £13. This, too blew

out a week or two later. Merely, no one was hurt on either occasion.

A Triumph Stag uses 175 or 185 11R 14 tyres; and the best prices I could find on the day I read the story were £55 for the smaller size, £68 for the larger. The tyres that had blown out proved to have been factory rejects, branded ADV for animal-drawn vehicles. They looked all right but were quite unfit for use on cars.

The disgruntled buyer went to the consumer protection officer. He presented the seller, who was fined heavily. A good job, too. But was not the man who had bought the tyres, and put himself and a lot of other people at risk, also culpable?

To put it no higher, he must have had reason to believe the tyres were suspect. Why would they be on sale at less than half the normal price? Should he not have taken them to the consumer protection officer before fitting them? And would the police not have been fully justified in prosecuting him for using illegal tyres?

Stuart Marshall

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HOW TO SPEND IT

Small talk

IT'S Easter and time to think of the children (as if they'd let you forget). Anybody thinking of using the holidays as a useful time to kit the children out for summer will find that this year it is easier than ever to find the sort of casual chic in mini-sizes that once used to be the preserve of the French or Italian young set. I can well remember when my children were small and I used to sit on continental beaches wondering why I could never find those sort of clothes back home. Now you can—from Laura Asbury to British Home Stores and Mothercare the Bermudas or long shorts that used to be scarcer than snow in the Sahara are now to be found at prices that most people can afford.

For a little more you can buy the continental versions photographed above right. Benetton's children's chain, O12, as usual is doing a marvellous job in making available chic, but not overly chic, co-ordinated clothes in good colours and sturdy fabrics. All the O12 shops have a good selection and besides the outfits photographed here, there will be other shirts, sweaters, blouses and trousers that will co-ordinate with the pieces shown here.

This summer's colours are pink, pale blue and white for girls, red and navy and white for boys, with some khaki for both.

Many of the clothes, though, are unisex—the shorts here are £13.90, the girl's T-shirt in plain cotton is £5.90, the boy's T-shirt (made from honeycomb cotton) is £10.90. His jacket is £29.90, her cardigan is £20.90. The Tam O'Shanter are about £5 each.

For smaller children Irene Clayeux, a French designer, has come up with the practical idea of a cotton mix two-piece which can be worn with long sleeves and trouser legs (as in the photograph middle right) a tracksuit. Or the sleeves and lower legs can be removed when the going gets hot and it becomes more of a playsuit, £36 from Zero 4, South Molton Street, London W1; Bananas, 123 Northcote Road, London SW11; J. R. Taylor, St Anne-on-Sea, Lancashire and Hansel Gretel, Sandycroft, Dublin.

Though David Plagerson officially is called a toymaker (indeed he won the Toymakers Guild Toymaker's Cup this year) in fact his toys are much



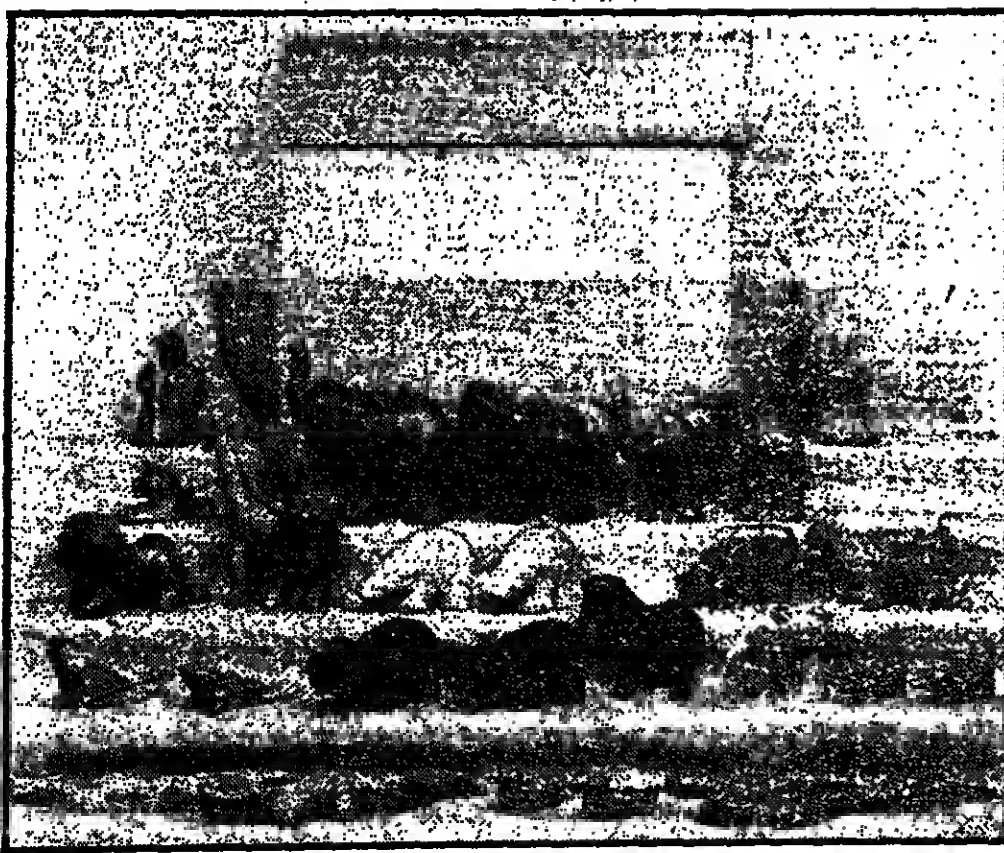
too beautiful to be reserved for children. He is a craftsman in wood and almost everything he does is made to commission—currently he is working to three months' delivery time. Everything is hand-made and animals and arks (as in the photograph below) are his speciality.

He does a lovely ark set in mixed woods (elm, pine, yew, lime, beech, cherry, etc) so that the owners not only have a wonderful collection of ark and animals but almost a library of British timbers. A set in wood, with an ark (in Douglas fir) and 14 pairs of animals costs £155, but a painted set with 18 pairs of animals is £237 and a super painted set with 36 pairs of animals is £570. However, he also sells individual animals at £3.50 each for the smaller ones, £4.50 for the larger.

If arks aren't your thing, he also makes circuses, farmsets, trains, animals on wheels, guardsmen on wheels and shire horses. Anybody interested in commissioning work from him (he will send a list selection of photographs) should contact him at 5 Cliff View Terrace, Gunnislake, Cornwall. (Tel 0822 833035.)



Though David Plagerson officially is called a toymaker (indeed he won the Toymakers Guild Toymaker's Cup this year) in fact his toys are much



DECORATIVE tarts and fans make popular puddings, particularly if filled with beautifully glazed fruit or a delicate custard or some other creamy concoction. They look handsome and the contrast between crisp pastry and soft filling is very appealing. Sadly, however, this delicious contrast is sometimes lacking—by the time the tart is served the filling has seeped into the pastry making it wretchedly soggy.

Purists say that, if the filling is to be cooked in the pastry case, it ought to be added when the pastry is raw, but in my experience this practice more or less guarantees soggy results. Others partially blind-bake the pastry first, baking it for just 10 minutes or so before adding the filling, but I find this too brief to be really effective. I allow 10 minutes weighed down with "baking beans" plus 10 minutes after the beans have been removed, and think it advisable to take extra precautions as well.

One precaution involves brushing the partially blind-baked pastry case with a little raw egg white, and letting it dry out in the oven before adding the filling. In theory the egg white dries out to a shiny varnish which acts as a barrier seal keeping pastry and filling separate. In practice I find it merely slows down the rate at which the pastry absorbs the filling. Nonetheless it is a tactic well worth employing when making a quiche or sweet

Another trick is to sprinkle the partially blind-baked pastry base with a few spoonfuls of semolina or (better still) ground almonds. This method works on the blotting paper principle, the idea being that the semolina will mop up any juices which exude from a fruit filling, thus leaving the pastry crisply intact. It certainly helps and is worth doing next time you make, say, a French apple fan. But damp semolina eventually leads to damp pastry. As with the egg white trick, all will be well if the tart is eaten quickly, but any leftovers served next day are liable to prove disappointing.

If you want good eating results next day, I recommend you try a somewhat revolutionary approach. This is not partial blind-baking and "lining" the pastry in either of the ways described above, but blind-baking wholeheartedly and to a very unusual extent.

For each of the tarts which follows I used 5 oz plain white flour, 2½ oz butter and about 5 teaspoons of cold water to bind the dough. Each tart was blind-baked at 400° F (200° C) gas mark 6 for 10 minutes weighed down with "baking beans" and for a further 30 minutes once the beans had been removed.

COOKING WITH PHILIPPA DAVENPORT

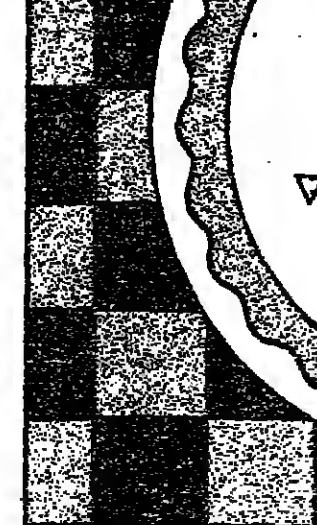
LONG-LIFE PASTRY

totally unorthodox of course and you could argue that it does not produce true shortcrust pastry. The results are biscuity crisp, difficult for the filling to penetrate. I find it delicious and tart made this way certainly seem to keep their good eating qualities far better than those made by more traditional methods.

ORANGE CURD TART

(Serves 6 to 8)

Aromatically scented with orange flower water and can-



HOW TO GIVE IT AWAY

IN A year that has seen much of Africa ravaged by drought and hunger, that has seen the coal strike and high unemployment at home, Easter seems a good moment for the How to Spend It page to take time off and look at How to Give It Away.

Giving it away, or the charity business, is very big business indeed these days. Last year some £10bn was given to British charities, tax concessions alone were worth some £500m and of the people in full-time employment in this country, one in about 40 works for a charity. Given the sums of money involved, it isn't surprising that more people want to know what exactly is happening to their donations. The Charities Aid Foundation supplies much the most comprehensive information currently available and anybody willing to spend £9.60 on its report "Charity Statistics" (the new 1984/5 figures will be available in about six weeks) will find it a veritable treasure-trove of information.

Anybody wishing to compare the cost-effectiveness of the various charities should take note that it is almost impossible to do so fairly. In the table listed below (compiled with the help of the Charities Aid Foundation and the individual charities themselves) we weren't able to provide all the figures because of varying methods of accounting.

There are at the moment about 150,000 registered charities and if you

are interested in a particular one but want to know more about its activities or finances you can either write to the individual charity or, for a more independent viewpoint, you can look them up in the Charity Commissioner's register. All the registered charities are obliged to send them their annual accounts.

However, the Charity Commissioners themselves freely admit that they don't have the resources to inspect all the accounts, let alone check up on their activities.

By and large there doesn't seem much evidence of widespread abuse but for those who want to make sure that most of the money they give goes to the cause they care about it is worth noting that of the money given in direct response to emergency appeals (like Ethiopia) an extremely high proportion (something like 95 per cent) goes directly on the emergency work.

When Which? did a report on giving to charity last year it found that their readers' favourite way by far of giving money was in face-to-face encounters with 74 per cent giving through door-to-door collections, 23 per cent through street collections and a mere 27 per cent through the most sensible, cost-effective way of all, by covenant. So if you think that now is the time when you want to rationalise your ways of giving it away, DINA THOMSON lists below the best, most efficient ways to do it.

DROPPING a pound coin into a charity box may give a spring to your step and a warm glow to your heart, but if you regularly give large sums of money to charity in that way you may be contributing more to your own sense of well-being than to that of the charity.

If you would like to make sure that your gift translates into as much cash as possible for the charity concerned, you should consider giving by covenant. This enables the charity to claim back from the Inland Revenue the tax you have already paid on your donation. A covenant is basically a legally enforceable promise for not less than three years and it usually lasts four. You can limit the time period by stipulating certain conditions—such as "until I have children".

Once you know that you want to give a set amount per year to a particular charity, you should make a direct covenant with that charity. This effectively means that the Inland Revenue considers your donation to be the charity's money, not yours, and allows it tax relief.

If you are a basic rate (30 per cent) taxpayer, for every £100 you earn, you receive £70, and the taxman takes £30. Suppose you want to be able to give Save the Children for example—£100 a year, but feel this would stretch your finances a little too much. If you give by covenant, you need pledge only £70, and after Save the

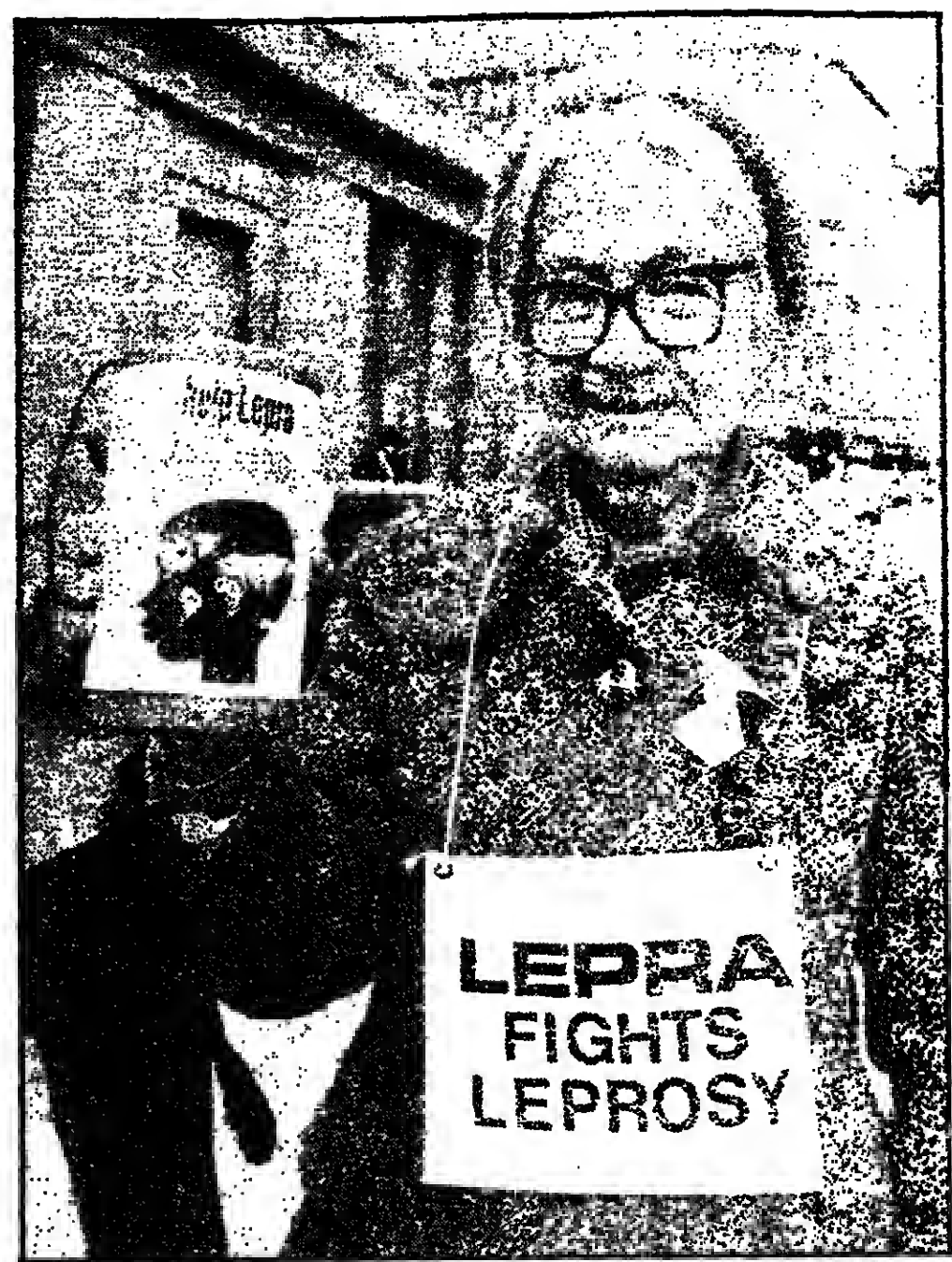
Children has reclaimed the £30 in tax you paid the Revenue, the value of your donation will have been boosted to £100—the amount you earned before tax. As a 40 per cent rate taxpayer, it will cost you just £60 to give £100 to charity, after the charity has reclaimed the £40 you have paid in tax.

Those on high tax-rates can take advantage of additional tax relief they receive on their donations, or design their covenants to take it into account. If you are a 60 per cent rate taxpayer and pledge £70, the charity will get £100, £70 + £30 (30 per cent tax paid on £100) in tax relief. But as a 60 per cent rate taxpayer you are liable to pay another 30 per cent in tax. As you have given the money to charity, the Inland Revenue will give £30 back to you after you file your tax return.

If you keep it, your £100 gift to charity will have cost you £40. Designing your covenant to make sure the charity receives the higher rate relief would mean your £70 donation would be boosted to £175 in the charity's hands.

Higher rate tax relief as a 60 per cent rate taxpayer, therefore, means that you can increase the benefit of your donation to charity even further without increasing your initial outlay, and a tax specialist should be able to advise you on how to do this.

In order to qualify for higher rate tax relief, the gross sum of



all that you covenant must not exceed £10,000 in the 1985-86 tax year. The same limit applies to a married couple. Remember that donations to charities are subject to tax relief only so long as they are done by covenant, and the charity must be registered with the Inland Revenue.

If you feel that giving by covenant to one charity reduces spontaneity and your freedom to change your mind, do not despair. The Independent Charities Aid Foundation (ICAF) acts as banking service and allows you to spread your donations as widely as you want while paying by covenant.

You must pledge a minimum of £50 a year for four years when you make a covenant with ICAF. The National Council for Voluntary Organisations, CAF's founder, receives 3 per cent of the annual income for each covenant, to be used for charitable purposes.

The flexibility ICAF offers can be particularly useful if you wish to give to charity when disaster strikes, and do not want your money to be tied to a single—or even several—charities.

But if you would prefer something similar closer to home, you should consider setting up a charitable trust. You can set up a charitable trust your-

self and covenant to place an amount of your choice in it to be used for charitable purposes. Before your trust is approved, it will have to undergo the scrutiny of the Inland Revenue and the Charity Commissioners with whom it has to be registered. If the sums involved are large, you should seek legal advice, it could cost you up to £200 to set one up.

If you have hundreds, rather than thousands to give away, consider a charitable bank account. This is exactly what it sounds like—a separate bank account with a cheque book you would use to write cheques for charity whenever you chose.

When setting up the account, you would have to draft a document stating under covenant that you would only use the account for charitable purposes. You would also have to register with the Inland Revenue. Your accountant should be able to help with details of how to set up such an account.

Don't let any of this necessarily stop your contributions to the collection boxes rattled on street-corners or at your front door. If it makes you happy. But if you are going to give it away, you will find it goes a lot further by covenant. Charities Aid Foundation, 48 Pembury Road, Tonbridge, Kent TN11 2JD, Tel (0722) 266322.

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For further information you are invited to contact Peter Macintosh, Development Department, Highland Regional Council, FREEPOST, Regional Buildings, Clearway Road, Inverness IV3 6NX, or telephone Louisa on 0453-234121 Ext. 401.

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LEISURE

Archaeology: Gerald Cadogan
Balloons and kites
hover over the past

BALLOONS and kites seem unlikely new tools of archaeology. But cameras suspended from them often give better pictures of ancient remains than from planes or helicopters, as they are low-level pictures.

The balloon can record a single building from as low as 10 metres without any dust or disturbance. The pictures are of startling clarity and always truly vertical.

Aircraft have been used for archaeological photography since about 1920, following their use for observation in World War One. One of the pioneers was O. G. S. Crawford, the first archaeological officer of the Ordnance Survey. In 1922 he used air photographs of Hampshire to show the early field systems.

In 1928 Crawford and Alexander Koller (of the marmalade family) produced *Wessex from the Air*: 59 plates with explanatory diagrams. Since then the method has flourished with exciting results in places as different as North Africa, Italy, Iran and Britain.

Aircraft are best for higher shots, while the balloon has a limit of about 750 metres, beyond which the weight and drag of the rope become too much. Aircraft archaeology relies most on shadows and crop marks to show deserted villages, Roman roads, Iron Age field systems or still earlier wooden henge monuments, which are round sanctuaries like Stonehenge.

Seen in the right light the shadow of a slight rise of the ground or thickening of the crop suddenly becomes part of a pattern that makes archaeological sense.

Variations in the soil itself are another clue, which helps when the fields are bare of crops. In the Fenland, besides finding the old field systems which are the basis of agricultural economies, soil variations made it even possible to see the extinct river system, which existed before drainage began in the 17th century.

Aircraft are not so well suited for low-level shots, and helicopters are even worse with their vibration and dust making downdraughts. They do not help, for instance, for low photographs of submerged remains because the draughts ruffle the water. So balloons and kites are increasingly used.

Balloons were tried once in the past, at Megiddo, Israel, when a heavy camera was suspended from a hydrogen balloon in 1930. The pictures were promising, but the experiment ended when a gust of wind brought it all to the ground. Wind is still the main problem of balloon archaeology.

If the wind is bad, the balloon controller and the reelman—who has the reel on a backpack frame—may have to race over bedges, ditches and walls while trying to reel it in in an orderly way.

They have to save expensive cameras and the balloon itself



Balloon photograph of the odeon (recital hall) at Gortyn in Crete

with its gas, which may be difficult to replace in an out-of-the-way spot. Another hazard is the slight danger of an explosion from the hydrogen, which makes sites with too many electric or telegraph wires difficult: the last thing needed is for the wind to move and the balloon to be wrapped in high-voltage lines. For sites in town helium—more expensive but non-inflammable—is used.

Coping with the wind has led to a change from a spherical balloon of the old-fashioned hot-air shape, to a kite-shaped balloon. Kites can also be used when the wind is too strong for balloons, or at steep and inaccessible places which one cannot bring the balloon or the big gas cylinders to.

For high photographs the balloon has a single rope, which

appears as a thin white triangle in the pictures. Low shots have a rope either side of the camera to position it over the right spot. The two cameras are suspended on a gimbal from the balloon.

Professor and Mrs Wilson Myers, who have done much ballooning in the Mediterranean, use a 35 mm camera for colour and a large Hasselblad for black and white. The Hasselblad is of the sort used by the astronauts on the moon, simple but with excellent resolution. The cameras are fired by radio from the ground and wind on automatically.

Every time a film is used, the balloon must be bealed in, which is hard work since one is pulling against the lift of the hydrogen.

After the last photographs

Investment in art: Anthony Thorncroft reports
Renewed interest in drawings

OLD MASTER drawings have come into their own after years in which they were regarded as the poorer man's substitute for Old Master pictures. The Chatsworth sale last summer, when the Duke of Devonshire sold 71 of his drawings through Christie's for £21.1m (after the British Museum had turned them down at a price of £3.25m), brought home both the quality of such drawings, and their value in the market.

A head by Raphael made £3.56m; a sketch by Holbein £1.56m; a Madonna £1.2m. Suddenly, drawings had come in from the shadows.

The Chatsworth sale was just the most flamboyant expression of an underlying trend. Historical research, better educated public awareness and an appreciation of the sheer quality of the drawing had established a growing and committed demand.

This has been reflected in steadily rising prices over the past few years, especially for the best works. There should be no unsettling rapid increases in price for this is still mainly a connoisseurs market.

But as new discoveries are made, as the wrong attributions are swept away, as the museums, such as Getty, compete with the refined rich for the tasteful items, which, with their small size, can grace a wall and

also provide in their intricacy hidden charms, so Old Master drawings must become a specialist sector of great artistic and financial reward.

On Wednesday, Christie's is holding a good auction. It is not easy to make direct price comparisons because buyers are suspicious of drawings which reappear within a decade, but a drawing by Giovanni Tiepolo of *The Holy Family*, which sold at Christie's in 1973 for 6,000 guineas, now carries a confident estimate of £20,000-£30,000. This would be about par for the course.

But there are always discoveries to be made by the knowledgeable. Sotheby's is selling 500 Old Master drawings in May in a "fast" sale, most with estimates well below £1,000. At its last such auction in October a drawing of a head, catalogued at French 17th century, was bought for £300 by a dealer who later identified it as the work of Pietro Testa, raising its value to around £8,000.

The fact that Old Master drawings can be bought so cheaply is of great appeal to first time collectors who want something of quality for decoration—and it gets the attention in the art form. At the end of Christie's main auction there are around 80 lots for sale, none with a top estimate of above £300.

Earlier, much higher prices will be paid. Drawings by Guercino, who sold for £95,000 in the Chatsworth sale, are on offer, with estimates up to £5,000 (the quality is not so good and they lack the Chatsworth pedigree). But they have great appeal and, like many drawings, have interesting histories. One of a putti, sold at Christie's in a Red Cross sale in 1915 for six guineas, and among its previous owners was Sir George Clausen, the painter.

Artists, especially British artists, have always appreciated Old Master drawings and studied them to effect. In Wednesday's sale there is a drawing of a youth by P. Parmigianino, estimated at £30,000 plus, which was in the collection of Sir Peter Lely. Two Sonnets, attributed to Titian, once belonged to Reynolds, as did many other items. A nude, catalogued as Circle of Baccio Bandinelli, had two artists among its previous owners, Lankrink and Poynter. It carries a top estimate of £400.

Old Master drawings provide a great artists' eye-view of pictures but many have an immediate appeal in themselves, especially two of the finest drawings by Moreau le Jeune, which should make the top prices of £40,000 plus.

Others are best appreciated as signposts of the great traditions. A river god by Salvator



N'avez pas peur, Ma bonne Amie, by Moreau le Jeune

Rosa is a sketch for a painting now in the Met, while the Getty has the modello. This drawing once belonged to Reynolds and sold at Christie's in 1960 for £1. Its top estimate is £1,000; its historical fascination priceless.

The experts can advise you—Noel, Annesley of Christie's

thinks French 18th century drawings are underpriced, and Julien Stock of Sotheby's favours Dutch. As always quality appreciates most. But there can be few sectors of the art market which repay study and enthusiasm as bountifully as Old Master drawings.

Michael Donne on the University Boat Race
Oxford goes for ten in a row

OXFORD 50 to the stake-boats for this year's University Boat Race. Hopeful of achieving an unprecedented run (for them) of 10 victories to a row (Cambridge achieved 13 in a row from 1924 to 1936).

But on the form shown over the past two weeks since both crews came down to the Tideway for final training, Oxford are going to be pushed hard. Undeniably, they are the older, heavier, more experienced, and stronger crew, more solid through the water, and with more punch in their strokes.

Graham James, last year's president of the OUBC, and Bill Lang, are Old Blues with victories behind them, and that makes for much confidence. Oxford's American stroke, Fran Reininger, is a Penn American champion; Bruce Philip, rowing at three, is desperate to win a Boat Race, having been in two losing Cambridge crews and losing for study reasons having transferred to Oxford—the first man to row the race for both universities. The cox, Seth Lesser, is an experienced Tideway hand.

As a crew, Oxford on paper should have it made. They won the Reading Head of the River Race, and have performed well against the cream of the available Tideway racing crews in training.

But Cambridge have a lot on their side. They have had, for a start, the benefit of Neil Campbell, the Canadian Olympic coach whose crew won the Gold Medal at Lake Caninas, and whose tough methods have done for Cambridge what Dan Topolski's own brand of iron and fire have done for Oxford over recent years. Whether Campbell's words of wisdom have had enough time to sink in only the race will show.

Cambridge, according to the "hankies muddies," have produced their best crew since they last won in 1975. They are short out in front to clinch that much



an Old Blues, but with John Prichard at stroke they have a World and Olympic silver medalist, whilst John Barrett, at seven, is another Olympic oarsman. Cambridge are smooth, elegant and speedy, especially of the start, but whether they can hold their stride in the rough Tideway conditions is the big question mark. They will choose Surrey, and jump away with a fast start, aiming to hold Oxford round that long first Surrey bend, especially if the weather is rough and the water really vicious. If they can do that, and still be in front by Hammersmith, they could well end Oxford's long winning run, for it is a truism that the race is more often than not won by Hammersmith Bridge. Cambridge, moreover, have the determination to win, in end that humiliating run of Oxford victories.

Oxford know that well, so they can be expected to move out strongly, the solidity they have shown in training enabling them to hold Cambridge round that bend, and crack them by Hammersmith. If Oxford win the race, and choose Surrey, then the race takes on a different tactical scenario.

Oxford could hold off Cambridge's early challenge, crack it beyond Hammersmith move desired tenth victory.

The past two weeks on the Tideway have not been without their problems—sickness has been the customary burden, and the Tideway conditions, in the wet and windy weather, have been foul. Only those who have rowed over the Tideway can really know how quickly the bad water can knock the stuffing out of a crewman and demoralise a crew that may already be training and unable to see their opponents forgoing away ahead.

Everything this year depends upon the weather and upon that early mile and a half—how quickly both crews can get away, how well they are rowing, can wear down the opposition and enable a crew behind to come through to lead.

Coxing, too, plays its part. Henrietta Shaw for Cambridge is new to the Boat Race, Seth Lesser for Oxford is no novice. Experience on the day could tell.

I predict a closer race than we have seen for some time. If the weather is bad, splashboards will be essential, and long warm-up rows down river before the start will be foolish, shipping unnecessary water.

Oxford can win, but they are going to be made to work hard for it than they have ever imagined. That magical 10th victory is by no means in the bag yet.

June Field looks at a caricature exhibition
Face to face with hidden truths

CARICATURES have never been fully considered a major part of the art market. As a consequence they are largely undervalued. As one critic said, not everyone wants to share their home with a grotesque head.

Even Gilbert's *Mikado* mourned that he had to take under his wing "A most unattractive old thing with a caricature of a face."

Caricature comes from the Italian *caricare*, to overload. Leonardo da Vinci interested himself in the grotesque but the real technique probably began with the 16th century painter Annibale Carracci, whose exaggerated drawings of the most striking features of a man were dubbed caricatures. In the early 18th century, Pierre LeClerc, a Frenchman, became known for his animated sketches of large-nosed Roman merchants and clerics. (Lord Braybrooke's family collection of 132 Ghezzi caricatures sold at Sotheby's in December 1979).

Moving on from the later graphic satire of the British artists Hogarth, Gillray, Rowlandson and Cruikshank to the most productive field comes from turn-of-the-century Punch contributors and on into the 1920's.

Sir Max Beerbohm (1872-1956), wit and dandy of the Edwardian age, supreme parodist and caricaturist, produced more than 2,000 sketches providing an extraordinary portrait gallery of English life. He maintained that the whole man must be melted down, as in a

crucible, and then fashioned anew. "He must emerge with not one particle of him lost, yet not a particle of himself as it was before..." Beerbohm's method was to see all his salient parts exaggerated (parts of face, figure, port, gesture and voice), and all his insignificant parts proportionately diminished.

His ability to match appropriate captions to personalities is revealed in such 1913 vignettes as Lord Northcliffe urging colleagues to "Help! Again I feel the demons of Sensationalism rising in me. Hold Fast! Curb me, if you love me!"

H. M. Bosterman brought burlesque to Punch, shocking more conservative readers who preferred their humour graceful and genteel. Yet his efforts were not mere superficial jokes at other people's expense. The renowned art teacher Percy Bradshaw acclaimed HMB's work as providing an insight into human nature, a sense of dramatic values and a completeness of vision.

The zany W. Heath Robinson was another perfectionist, who claimed there was a secret satisfaction in being considered rather mad, a quality he played up in his eccentric illustrations.

His wildly funny inventions were combined with an absurd combination of circumstances, the stone-blindness of the persons involved in the humour of the situation, though this could be starting them to the face. Collectors tend to opt for social rather than strong

political satire. Caricatures of personalities and customs remain in fashion longer than comment on some ephemeral public event. Legal, medical and stage personalities are always in demand. Beerbohm derotes will appreciate *The Monks of Man*, a charming exhibition of portrait caricatures by his two proteges, Quiz and Kapp, at the Langton Gallery, Langton Street, SW10 until April 26. Powys Evans (1898-1982), was Quiz, while Kapp was Edmond Xavier Kapp (1890-1978).

Much of Kapp's work comes from his widow Eazy, while Quiz's is from a recent executor's sale at Sotheby's. Some works never seen before are from a friend in Wales.

Prices are from £130 to £750 for a 1920 Winston Churchill by Kapp, to £800 for a dapper Gordon Selfridge complete with top hat, watch chain and spats, by Quiz.

Sure to be snapped up are a rare set of 10 lithographs by Kapp, 1924-25, of legal eagles such as Lord Chief Justice Baron Hewart, Mr Justice Avey, and Viscount Haldane, Lord Chancellor. Butterworths commissioned them, and as many as 15 lithographic stones were used for each portrait. The price for what is said to be the last full set is £230 each framed work.

Theatre buffs will go for the drawings of the actors in Nigel Playfair's 1921 production of *The Beggar's Opera* at the Lyric Theatre, Hammersmith, and one of Jacques Tati as the irrepressible M. Hulot, 1958.

BRIDGE
E P C COTTER

ANOTHER volume in the Master Bridge Series, *Positive Defence* by Terence Reese and Julian Portage, has recently been published by Gollancz (hardback £7.95, paperback £4.95). Some of the hands are extremely difficult, but any reader, who is really anxious to improve his defensive play (and defence is the Achilles heel of us all) will find the book a most instructive and stimulating challenge.

Do not cheat by looking at the answers too soon. If you genuinely try to solve the problems, you will be forced to think, and this is what defence is all about.

Let us start with this deal, dealt by North at a love score:

N
♠ K43
♥ KJ10
♦ KJ73
♣ J72

W
♠ Q9
♥ 754
♦ A8832
♣ Q85

E
♠ 16
♥ 832
♦ Q1064
♣ AK104

S
♠ A108752
♥ AQ96
♦ —
♣ 885

North opened the bidding with one no trump on his neat 12-point, Ace-less wonder, South introduced a Stayman two clubs, and after the opener's response of two diamonds, jumped to four spades, which became the final contract. West led the club three, which you, sitting East, won with the King. What defence do you suggest?

From the bidding the declarer would appear to have six spades and four hearts. You do not know whether it must be safe to return a low club, because to return a low club would lead your partner to four small cards. West wins with the

Queen, and returns another club, which you win with the Ace, and South follows suit. What is your next move?

Placing the declarer with a void in diamonds, you lead your last club, and your strike oil. Your partner turns up with the Queen and nine of trumps, which means that, whatever declarer plays, your Knave will be promoted to winning rank, and defeat the contract. This was not too difficult—did you find the answer?

Now for a different problem—you are once again in the East seat:

N
♠ 7643
♥ J93
♦ Q9
♣ AKJ2

W
♠ RQ10
♥ 84
♦ K62
♣ 107543

E
♠ J82
♥ Q107
♦ A1083
♣ 88

S
♠ A5
♥ AK852
♦ J754
♣ Q9

South deals with North-South vulnerable and, playing five-card majors, bids one heart. North raises to three hearts, and South's four hearts concludes the auction. West starts off with the spade King, one which you drop the nine, and declarer wins with the Ace, and plays Ace and King of trumps, your partner following both times. The declarer cashes his club Queen and dummy's King, on which

West follows with the three and the four. Now the Ace of clubs is led from the table, what do you suggest? Do you ruff or discard? First of all, do you place West with three clubs or with four? If he has three, declarer has four and is getting no discard, so you place South with two.

The basic principle that you do not ruff with a master trump, when you have a chance to obtain the lead and draw two for one will save you from making a mistake. If you ruff, South will throw a spade loser, and lose just two more tricks. He will ruff one diamond and discard another. Bid your time

—let South throw a spade on one club and a diamond on another. Why should you care? When you get in with the diamond Ace, you will draw a round of trumps with your Queen, and now your side will collect one trick in trumps and three in diamonds.

CHESS

LEONARD BARDEN

THE APPEARANCE of a 1985 volume, No 38, of the six-monthly journal *Chess Informant* (available from the British Isles distributor Chess, Sutton Coldfield, B73 6AZ, West Midlands, at £13.25 post free) shows how quickly new moves and new ideas are assessed and disseminated in a competitive international activity.

Informant's principal section consists of more than 800 games from the second half of 1984, arranged by openings and commented by a panel of hundreds of GMs and IMs (among them Miles, Nunn and Short). Judges vote on the best games and most important theoretical contributions in the previous volume; there are reports from the FIDE congress and the 1985 world ranking list. An improving player can test skill on selected middle games and endings, which are in general much harder than the usual run of puzzle chess.

Chess Informant has had several rivals over the years but, as the first in its field, it has been able to maintain a print run of some 10,000 and, thus, a reasonably low sales price. Its commentaries consist of symbols, not words, which relate to a key explained in nine languages including Chinese and Arabic. Volume 38 is sufficiently up to date to include games from the final stages of the world title match in Moscow, as well as a good selection from the Salonica olympics.

Informant is as much a part of a tournament competitor's basic luggage as was *Modern Chess Openings* in years gone

by when a single book was adequate for reference. But the name of the game now among sophisticated is to improve on Informant by spotting errors in the notes or new variations that the editors omitted. One source for such hidden nuggets is the Pergamon journal *Tournament Chess*, published at £19 six times a year and edited by British GM Murray Chandler. Here, the games are arranged by event rather than by opening, and every important encounter is included—a useful arrangement for identifying the preferences and foibles of a new opponent.

This week's game is from Informant 38: Miles's energetic attack with no serious counter from his opponent demonstrates why most experts avoid the old-fashioned Queen's Gambit in practical play.

White: A. J. Miles. Black: O. Jakobsen (Denmark). Opening: Queen's Gambit Declined (Esbjerg 1984).

1 P-Q4, P-Q4; 2 P-QB4, P-K3; 3 B-B4, N-B3; 4 P-P3, P-B3; 5 P-QB3, 6 P-P3; 7 B-B4. White takes the initiative by 7 P-KN4.

Here 6... B-B4 allows 7 Q-N3, P-QN3; 8 N-N5; 9 B-B3, Q-N3; 10 Q-B2, N-B1; 11 P-KN4, B-K3; 12 Q-Q4, R-B1. White's attack is already well advanced, so Black should now try P-QN4 and P-QR5 to open lines quickly against the white king. He prefers a counter with pieces, but Miles sets up a series of direct threats.

13 N-N1, P-QN4; 14 N-N5, Q-N5; 15 B-K3, P-KR3; 16 B-B4, P-N3; 17 B-B5, N-Q2; 18 B-KN4, P-N3; 19 Q-N5, N-B3; 20 P-N4, B-R7.

A final fatal error. If 20... P-R4 Miles had planned 21 P-N5, R-P3; 22 P-KR4, R-K2; 23 K-R1, R-B1; 24 N-K4, P-N3; 25 R-Q7 and wins, but 20... R-N5 would keep Black in the game.

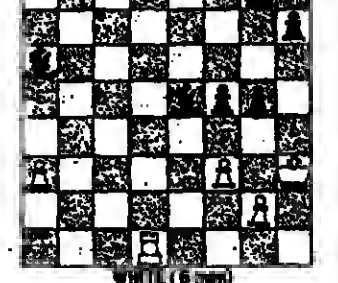
21 P-N5, P-P3; 22 N-K4, R-K2. Again if P-N3; 23 R-Q7 wins.

23 N-B6 ch, K-B1; 24 N-R7 ch, K-N1; 25 R-Q4, P-B4; 26 R-B3, P-R1; 27 R-N1, Q-B2.

If 27... R-K2, Q-B2 to create a king escape. White wins easily by 28 Q-R5, R-B2; 29 N-B6 ch, K-B1; 30 N-Q7 ch; R-N3; 31 Q-R8 ch, K-K2; 32 R-P mate.

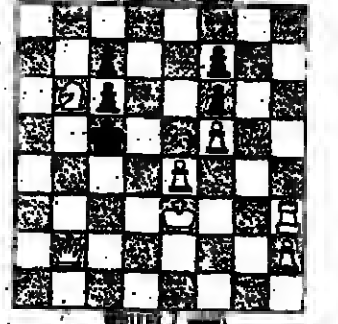
28 N-B6 3(21-K1); 29 Q-R7 ch, K-B1; 30 N-P ch! Begins. If R-N3; 31 Q-R8 ch and 32 R-P mate. A useful model for a type of attack which often recurs in practical play.

POSITION No. 562
White (6 min)



Chechobkovsky v. Robertalis USSR 1984. Playing against a well-known grandmaster, Black (to move) missed his chance for a surprise victory in this position. Puzzle—find the hidden smother mate.

PROBLEM No. 562
Black (5 min)



White mates in three moves at latest, against any defence (by J. T. Breuer, Basler Zeitung 1978). Black, far behind on material, is limited in his resistance to two defences: P-N3 and K-Q3. So this problem ought to be easy, but its subtle key has proved a stiff test.

Solutions, Page 16

Where business is blooming

THE ANNUAL miracle of the garden-opener has been performed again. Despite all the difficulties of weather, labour and finance, the lists have all appeared on time and are even fuller of Britain's best gardens opening between now and the end of October.

The five principal organising bodies are the National Trust and the National Trust for Scotland, which are concerned solely with opening their own gardens to sustain their own funds; and the National Gardens Scheme, Scotland's Gardens Scheme, and the National Gardens Scheme, which do not themselves own any gardens but organise the opening for charity of several thousand, private, public and commercial.

Each organising body publishes its own guide book and these vary in degrees of attractiveness: but all are equally helpful in explaining where the gardens are, when they are open and how best to get to them by public transport or car. The notes about the gardens are inevitably brief, since even quite simple guide books cost a lot, and charities must be frugal with their money. But many of the more famous gardens are described more fully in other books which, because they are not renewed annually, cannot be kept up to date with days and times of opening.

Personally, I would not let *Gardens of England and Wales Open to the Public* and is on sale now in most bookshops and many newsagents (price £1.00).

GARDENING
ARTHUR HELLER

The National Garden Scheme's guide is called 70p (including postage) direct from the organiser, Whitechapel Close, Glasgow.

With these excellent guide books at hand, it is usually easy to find gardens to visit within easy motoring distance, wherever you are. Many of them are open only for one or two afternoons each year and they provide an insight into British gardening quite different from that obtained elsewhere. A lot of personal ideas about garden-making that are influenced by the theories of professional gardeners, and they also often contain plants that are seldom, if ever, seen in public gardens. I always feel that in these places do not really know what British gardening is about.

Meanwhile, there is unexpected good news from Liverpool. More than 70 acres of the superb Merseyside site of last year's International Festival gardens are to remain open this year. The great Festival Hall will contain a Magic Garden designed especially for children.

Many of the gardens that were so much admired last year are now much more fully established and some special features, including the Yellow Submarine and the Blue Peter Dragon, have been moved to new sites. The gardens will be open seven days a week from May 23 to September 8 from 11 am to 7 pm.

FINANCIAL TIMES

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Blooming in a prompt spring

SPRING, which set in bang on the a week ago when the clocks on the wall are producing promising buds in all sorts of places. The Confederation of British Industry gets more optimistic by the month. We have at last seen a really modest rise in unemployment, and the Old Lady of Threadneedle Street has permitted herself a wan little smile in her latest economic review. Even the machine tool industry, that frostbitten stump from the great age of British manufacturing, is suddenly enjoying full order books—and so, to take another unlikely example, are many firms in the clothing industry. In the labour market, above all, it really does begin to look as if the miners' strike was the last replay of a stale old drama, as commonsense has broken out successfully in the railways and the Post Office.

The tides of politics respond rather sluggishly to the pull of events, and for the moment it is Mr Neil Kinnock who is basking in a newly mild climate. Events have helped him, as unemployment has ground ahead, and the Government, even in its carefully drafted White Paper, has contrived to present itself as both helpless and complacent. However, Mr Kinnock has done much to help himself, taking far more advantage of the defeat of militancy than the Government has yet been able to do, he is reminding both his party and its policies.

His new, somewhat Fabian-Liberal approach to the economy, with its stress on co-ops—for Mr Kinnock is still a Welsh romantic—has yet to be unveiled. The changes in the party are visible in all the ways it watches, it sufficiently closely, a round of constituency reselections in which the moderates have so far sent the militants scurrying. Mr Kinnock is ahead in the opinion polls at the moment, and is leading what begins, after six years of chaos, to look as if it might be an electable party again.

Keynesianism

This revival has rattled the Government, as witness all honours list in which not a single Conservative Member of Parliament has been elevated, for fear of by-elections. Even for the Government's supporters, however, this is not necessarily bad news. Some of its over-simplified doctrines need to be re-examined, and as the Government strives to win back support from the political centre, this is beginning to happen.

The signs are already visible. Budget was much less doctrinaire about public sector borrowing, and much more explicit about the two targets which really matter—a steady,

reliable growth of nominal demand, and a realistic exchange rate—than any previous version of the strategy. The prompt if modest cut in interest rates to check sterling's rise against the European currencies showed that this was no mere rhetoric.

The Chancellor's announcement that wage moderation would make it easier for him to stimulate the economy underlines the revolution. This is the Keynesianism of Lord Keynes—who was always aware, unlike some followers, that cost pressure could paralyse his proposed strategy. It has nothing to do with all-weather PSBR targeting. Wage moderation would cut revenue, yet the Chancellor now says, quite rightly, that he would cut taxes in response.

This new flexibility of approach has come none too soon, for the great uncertainty in this otherwise promising economic spring concerns something which the Government cannot control, but to which it must respond: the progress of the U.S. economy and, with it, of world trade. For the time being, President Reagan's luck seems to be holding: both the dollar and the U.S. domestic economy seem to be achieving what could prove a soft landing.

Nearly all the risks are on the downside, though—major banking trouble, a renewed international debt crisis sparked off in Brazil or Africa, or even something as simple as a sharp slowdown in U.S. consumer borrowing could make the going very rough.

There is a growing feeling in Europe that the right strategy, faced with these risks, is to be tolerant about any temporary U.S. effort to insulate trade from an overvalued dollar, but to respond quite urgently to any general economic slowdown originating in the U.S. Some German officials are already talking of contingency plans to meet such a slowdown with a fiscal stimulus.

It is also worth dreaming, though, at this mild season, of how everything might go right, with modest but continued U.S. growth, the dollar correction that many American officials are quite openly encouraging, a lax reform encouraging lower interest rates, a consequent easing of the debt burden—in short, a slow unwinding of a decade of gross maladjustment. At home, faster growth with slower inflation, unemployment falling at last, and democratised trade unions enjoying the rewards of rational bargaining just like Germans or Swedes. A holiday dream, perhaps, but the point to hold on to is that it is by no means impossible.

Building for the 20th century

From the President of the Royal Institute of British Architects

Sir—It is today that the most dynamic financial newspaper in the world has an architectural correspondent with such reactionary views.

The merits of architectural style and the relative merits in the scale of commercial development in the 19th century and the similar surge of the 1980s are of little interest to international bankers, brokers and insurance companies looking for the kind of new office accommodation they are accustomed to elsewhere in the world.

The 19th century made no bones about the kind of buildings they wanted for their business enterprises and in a decade destroyed much of 19th century London. It is a fact of history that a high proportion of each generation's building is replaced by succeeding generations seeking new and to them more suitable accommodation.

Nobody today is coming in sanction the destruction of the very best architectural and historic treasures but there is no merit, and actual economic harm, in retaining unsuitable undistinguished buildings for no reason other than they already exist.

The executives of Lloyd's of London travelled the world in the kind of accommodation they needed for the 21st century. They then combed the world for an architect who could realise their demands, and the new Lloyd's Building by Richard Rogers is now nearing completion.

Durkett, which is no longer what today's workers creating national prosperity require. Michael Manser, RIBA, 61 Portland Place, London, W1.

Was Karl Marx a water baby?

From Mr D. R. Grotstein

Sir—On reading Anthony Robinson's "Man in the News" article on Saturday March 30th, I am asking myself if it is worth trying to save Karl Marx from the sort of fate that has overtaken Kurt Cobain. Karl Marx did, indeed, proclaim that religion was the opium of the people, and he said it in a pejorative fashion. It is not surprising that he made no acknowledgment to the originator of the dictum, who was a C of E clergyman, the Rev Charles Kingsley, who used the expression in slow that religion had a beneficial effect.

Indulging on opium in those days did not appear to be so ill regarded as it is, in some circles, nowadays. It is nice to think that Karl Marx and Charles Kingsley must have had quite a lot in common. Among other things, Kingsley was a social reformer and is perhaps best remembered as the author of *The Water Babies* and Karl Marx must surely have approved of quite a lot of this. Paul R. Grotstein, Wilton House, Godalming, Surrey.

Why not fly Humberside

From the Chairman, Airport and Estates Committee, Humberside County Council

Sir—While fully supporting the fine initiative taken by your paper in bringing out a special supplement under the heading "Regional Airports and Air Services" March 23, I must, however, register my disappointment upon discovering that Humberside Airport was almost completely ignored. Considering the fact that, last year, we were able to record over

Letters to the Editor

support—a figure which has doubled in the space of some two to four years—thus leaves something to be desired.

The county council's Airport and Estates Committee is determined to maximise the considerable opportunities arising from the investment currently taking place at oil and gas projects in the North Sea. We are also to offer an expanding range of scheduled services, and only last Friday evening saw the successful launch of the airport's entry into the mass holiday market, with the first ever jet flight direct to Majorca.

We are also pleased to state that our very real enthusiasm for the airport's future is shared by the EEC. A variety of projects undertaken at the airport have received grant assistance through the mechanism of the European Regional Development Fund. Every indication we have leads us to believe that such funding and support will continue.

In line with most of the airports located in the regions, the county council takes the very clear view—uniting both political parties at County Hall—that the future prosperity of Humberside is fundamentally bound up with the development and consolidation of Humberside Airport.

(Councillor) David Spooner, County Hall, Beverley, North Humberside.

Tackle the rates at their roots

From Major Henry Haydon

Sir—The speculation in the most interesting article (March 23) "Government may limit business rates rises," by your Political Editor, prompts me to make three important points

Minister of Local Government at a Conservative Party meeting that "at present, the local rates burden falls on too few shoulders, while accountability to the electorate is very thin, especially in inner cities," gives one cause to hope that the Government will, at long last, tackle the rates problem at its roots, instead of merely trying to attack one of its symptoms as does rate-capping.

Second, if the Government does decide to institute a different form of local tax for local residents from that paid by businesses, it need not—as your Political Editor suggests, nationally—freeze the level of business rates.

The fairer and, I suggest, more realistic procedure would be to fix for each local authority a mandatory ratio between its total revenue from business rates and that from non-business rates, based on the ratio existing at the date when the present domestic rates system ceased to exist. Incidentally, where did Peter Riddell get the figure of 40 per cent as the percentage of total rate income currently derived from businesses? The figure usually quoted is as high as 55 per cent.

Finally, unless another and much more equitable form of local taxation than the present domestic property tax is proposed as a result of the Government's investigation, and a general revaluation of properties has to take place in England and Wales, then the reported anger of Scottish Tories "over the impact of the recently announced rating revaluation north of the border" will be as nothing compared with the consequential explosion on the part of their English and Welsh colleagues.

THE ROMAN CATHOLIC CHURCH AT EASTER

The Pope restates the rules

By James Buxton in Rome



"The first job of any Pope is to keep the ship of the Church afloat," says one observer of Vatican affairs in Rome. "This he has triumphantly done. Anything else he has done that one might not agree with is 98 per cent outweighed by this one fact."

The other basic fact of the Church today is Vatican Two, a gathering of 3,000 bishops which lasted from 1962 to 1965. Its aim was to break down the barriers between an apparently remote, authoritarian and perhaps anachronistic Church and a rapidly changing world that was in danger of leaving it behind.

Vatican Two swept away the 16th century Tridentine Mass said only in Latin and replaced it at a stroke with a modern liturgy almost entirely in the vernacular. Whereas the old form of service emphasised the holiness and separateness of the priest who usually had his back to the congregation, the new service entails closer contact between pastor and congregation. The priest now faces the people and they may even help him to distribute the bread and the wine.

In a significant diminution of the power of the Vatican, the Council also transferred authority for some decision-making from Rome to the bishops, although the Vatican still has the last say. The Synod of Bishops was established and, equally important, national conferences of bishops of individual countries were set up to adapt to local circumstances what Rome laid down.

The Council left many Catholics feeling heartened about their Church, and they

found that it brought their faith and their lives into closer harmony. But others lamented the loss of the old liturgy, its universality and its doctrinal certainties.

The French Archbishop Marcel Lefebvre was only the most famous of those who refused to abandon the Tridentine Mass. As one English lay Catholic says today: "Before Vatican Two I had never understood the pre-occupation of Anglicans

church and more coming forward for ordination.

Pope John Paul participated in Vatican Two. "It is a pillar of reference for everything he does," they say in the Vatican. Yet he comes from a country, Poland, where an immensely popular and devout Catholic Church has been little changed by the Council's decisions, and where no one has ever lived under anything but an authoritarian system of government.

The fear is that if parts of Vatican Two are abandoned, the Church may be weaker as a force in the world

The Pope, viewing both the parlous state of the world and the uncertain state of the Church, feels the need at least to state what the rules are—an attitude that his critics call authoritarianism or dogmatism. He appears to be in no doubt about the authority that God has given him, and has a strong personal and the gift of multilingual eloquence to go with it.

Pope John Paul has clamped down on erring theologians, whether in Europe—for example, Dr Hans Küng of Tübingen University—or in Latin America. Father Leonardo Boff of Brazil was recently censured by the Vatican's Congregation for the Doctrine of the Faith, the successor to the Inquisition, for

advances of Vatican Two. Many "liberals" have now become very cautious in what they say or do, fearing punishment from a powerful pontiff.

They believe that if the Pope succeeds in abandoning major parts of Vatican Two, the Church will be left weaker than before, that whole national congregations will feel alienated from Rome, and that the potential of the Catholic Church to be a major force in the world will be weakened. On the specific question of birth control (not part of Vatican Two) they believe the Church can but suffer from the fact that perhaps a majority of its members simply disobey the Pope's teachings, while other Catholics suffer by obeying them.

He has also preached repeatedly on the virtues of family life, and far from deviating from the encyclical *Humane Vitae* of Pope Paul VI that banned all but natural methods of contraception, has emphasised that for couples to make love without the aim of having a baby is to deny God's purposes and so to deny God.

Last autumn he allowed in certain circumstances the restoration of the Tridentine Mass—but only for priests who make their peace with their bishops first. Those in the Church who consider themselves "liberals" say that all this amounts to a relentless campaign by Pope John Paul to cancel many of the advances of Vatican Two.

Many "liberals" have now become very cautious in what they say or do, fearing punishment from a powerful pontiff. They believe that if the Pope succeeds in abandoning major parts of Vatican Two, the Church will be left weaker than before, that whole national congregations will feel alienated from Rome, and that the potential of the Catholic Church to be a major force in the world will be weakened. On the specific question of birth control (not part of Vatican Two) they believe the Church can but suffer from the fact that perhaps a majority of its members simply disobey the Pope's teachings, while other Catholics suffer by obeying them.

The Church, it likes to remind one, is not a man-made institution and gatherings of this sort have in the past produced unpredictable consequences. And, as a priest said recently, "under this Pope the unusual has become the usual."

"I know a woman in Naples," says a priest in Rome, "who says she does not practise contraception but instead has an abortion every year. That way she has to confess a sin only once a year."

Yet has the Pope really embarked on such a concerted campaign as the liberals suppose—and if he has, will he succeed? Not all bishops appointed by the Pope are conservatives—Archbishop Martini of Milan, for example, is a notable liberal. Despite the power of his personality and the strength of his convictions, the Pope has had difficulty in shifting the views of his bishops in South America, where Catholics make up a higher proportion of the population than anywhere else in the world.

Three cardinals from Brazil accompanied Father Boff when he was summoned to Rome last autumn to explain himself—even though they are most unlikely to have agreed with everything he said. When the Pope visits South America, the bishops usually ask him to say in public what they want him to say, rather than what he might have liked," says a close observer of the scene.

According to this view the Pope does not have either the desire or the means to make such a thoroughgoing reversal of the Church's position. "This is not a programmable papacy," says one observer in Rome.

Pope John Paul's reign will be an encyclical outlining his plans. None of Pope John Paul's three encyclicals could be described as programmatic. He sees Pope John Paul's pontificate as being a little haphazard, guided by sudden flashes of insight and emotion rather than doggedly following a single plan.

The Pope may not have the machinery to implement any such design. He is not considered a good administrator and the Vatican is said to suffer from his frequent absences abroad and on travels round Italy, and from the lack of one strong and cagey administrator. Some people believe that his quarrel at the beginning of the decade with the 28,000 Jesuits, so whom for a time he imposed a temporary head of his own choosing, has deprived him of the support of what might have been a powerful force in the field, especially in South America.

The Church therefore approaches the extraordinary Synod with deep divisions over what it should be doing and where it should be going, under a populist Pope who commands admiration but less than total support. Can these divisions be resolved in a meeting of bishops, or might it make them yet more intractable? Will the Pope win acceptance for a "redefining" of the roles of bishops and clergy, as the Vatican's neutral phraseology puts it?

The Church, it likes to remind one, is not a man-made institution and gatherings of this sort have in the past produced unpredictable consequences. And, as a priest said recently, "under this Pope the unusual has become the usual."

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French politics: the PR row

Rocard's gift to the right

By Paul Betts in Paris

PRESIDENT François Mitterrand's decision to change the French voting system could not have produced a more spectacular "coup de théâtre". But it is too early to say whether it will bring down the curtain prematurely on his presidency.

If the original design was to switch from a majority voting system to proportional representation (PR) to undermine the right-wing opposition and save the Socialists from a potentially humiliating defeat in next year's parliamentary elections, the immediate result has been to provoke a split in the Socialist Party.

Even M. Mitterrand must have been taken aback by the sudden and unexpected resignation of M. Michel Rocard, the Socialist agricultural minister who for years has consistently topped public opinion polls as the most popular political figure in France. M. Rocard announced his resignation to M. Mitterrand by telephone in the middle of the night after the government had announced on Wednesday the broad guidelines of the new voting system.

There has long been a stormy and complex relationship between the two men. M. Mitterrand has never forgiven M. Rocard for putting himself forward in October 1980 as the Socialist Party's presidential candidate.

M. Rocard, who has always sought to project himself as a modern social democrat, has in the past week accused M. Mitterrand of political "archaism". Last week, at a meeting of the party's directorate he expressed his opposition to the PR project, arguing it was a defeatist approach on the part of the Socialists and would seriously debilitate the French political system by bringing back the instability of the IV Republic.

But despite his hostility to PR, M. Rocard had been expected to toe, once again, the Mitterrand line. As a result, the immediate reaction of many Socialists was one of shock and anger.

The opposition cannot believe its luck. M. Rocard has made them a golden gift just as the Centre-Right RPR and the



M. Rocard: an explosion of bottled-up frustrations

opposition new hope that they can perhaps outmanoeuvre M. Mitterrand after all. Theoretically, the 60 "Rocardian" deputies could tilt the balance against the Government in the National Assembly when the new electoral reform is debated in Parliament in coming weeks. In their wildest dreams, the Right, with the exception of the extreme Right National Front which has everything to gain from the new system, is hoping that the "Rocardian" deputies will now follow their 54-year-old leader.

But it is most unlikely that M. Rocard's followers will lead such a revolt. M. Rocard's resignation is motivated as much by political principles as by personal ambitions. Indeed, many Socialists have not hesitated to accuse M. Rocard of abandoning ship to position himself as a potential presidential candidate in 1988.

It is no secret that M. Rocard has been nursing hopes of standing in the 1988 presidential elections. But after the fiasco of 1980, he chose to play the silent role of the competent technocrat first as planning minister and then as agriculture minister. But M. Rocard and his many opponents in the party have not stopped making life difficult for him. Last summer, M. Rocard had hoped to be given the job of finance minister in recompense for his good behavior. To make matters worse, President Mitterrand appointed as France's

youngest prime minister M. Laurent Fabius, who mirrors in many respects M. Rocard's image of economic common sense and moderation, political modernism and a new youthful social democratic look.

M. Rocard's bottled-up frustrations were ready to explode. It must have been especially infuriating to see M. Fabius rise steadily in the opinion polls and finally, this week, overtake M. Rocard as France's most popular political figure in the eyes of the public. The PR issue was probably the last chance for M. Rocard to set himself free in time to give him a chance for the 1988 presidential stakes. M. Rocard could hope to run as the left's alternative to M. Raymond Barre, the former prime minister, on the right.

M. Barre has successfully placed himself above the traditional opposition parties giving himself an image of a man of principle and setting himself up as a leading contender for the presidency in 1988. But whether M. Rocard can be as successful on the left remains to be seen.

M. Rocard's resignation is deeply embarrassing for the Socialists but it would be premature to say it will disrupt in a catastrophic way President Mitterrand's wily political calculations. Despite the screams of scandal from the right, M. Mitterrand can argue strongly that he always intended to introduce a dose of PR — it was part of the Socialist elec-

tion manifesto in 1981 — and that the PR system is more equitable, democratic and representative of the country.

The decision is also consistent with the overall evolution in M. Mitterrand's policies and thinking. During the past 12 months, he has moved forward with his gradual shift from the left to the centre. Even before the government reshuffle last summer and the departure of the Communists from government, the shift had already begun in economic and industrial policy. After the busy days of nationalisation and expansion, M. Mitterrand switched to the doctrines of M. Rocard of economic rigour.

The process of political recentring began in earnest with the appointment of M. Fabius as prime minister last July. The process will now be rounded off with the change in the voting system which will place the Socialists in a good position to play the pivotal role in a new centre coalition. The new system is also likely to accelerate the electoral decline of the Communists.

M. Mitterrand is nonetheless taking a big calculated gamble. By changing the voting system, M. Mitterrand has given himself a fighting chance to stop the opposition winning a clear majority in the 1988 parliamentary elections and threatening his place at the Elysée. Moreover, PR will probably reinforce his own position as President by weakening the National Assembly. It will also give him time to complete the grooming of M. Fabius as the preferred Socialist candidate for the 1988 presidential elections.

But the opposition could still gain an overall majority, albeit smaller than it might otherwise have hoped.

President Mitterrand is calculating that the fuss over the electoral reform and M. Rocard will die down well before the parliamentary elections in 12 months time. Moreover, it will not be the first time the system has been changed. De Gaulle introduced PR in 1945 and then in 1958 brought in the present majority voting system.

Indeed, since universal suffrage was first established in France, 137 years ago, there have been as many as 12 major electoral reforms. Thirteen could be M. Mitterrand's lucky or unlucky number.

THE LABOUR PARTY is back in the race for power for the first time for over four years. This is now the firm belief of Mr. Neil Kinnock and his colleagues.

Naturally, plenty of hurdles still have to be overcome but the latest batch of opinion polls suggest that a Labour Government is no longer an impossibility after the next General Election, even if it still remains an improbability.

Yet the current optimism of the Labour leadership comes only a month after the defeat of the miners' strike which was seen by many on the hard left as the greatest industrial struggle this century and the means of rolling back Thatcherism.

But in the wake of the miners' collapse, the last month has seen the isolation of the hard left, an isolation exacerbated by bitter divisions within some Labour-controlled local councils about how far to defy the Government's ratecapping legislation.

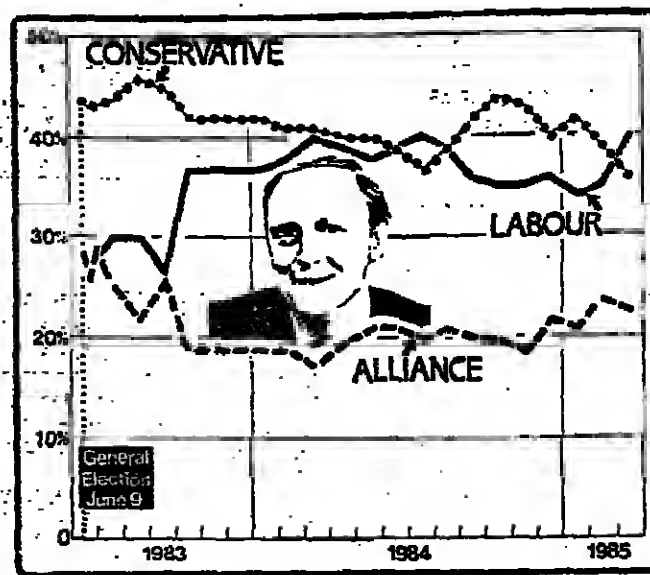
All this is sweet music to the parliamentary leadership. Indeed, judging by recent speeches by members of the Shadow Cabinet, it is almost as if the miners' strike was just a bad dream which can be quickly forgotten.

The end of the strike and the absence of much open recrimination has coincided with internal party developments favourable to the leadership. In particular, the supporters of the Trotskyite Militant sect have suffered a number of unexpected reverses in local parties. The first wave of reselections of MPs has also been smoother than earlier exaggerated fears suggested, though a few members have announced their retirement a few years early to avoid possible rejection.

The main reason for the new confidence has been the opinion polls. Three surveys in the past fortnight have put Labour ahead of the Tories. An average of the five most recently conducted polls puts Labour at 38 per cent, compared with the Tories at 35 per cent and the Alliance at 24 per cent. This represents a four-point gain by Labour since early February.

Conservative support started to slip last November. The initial beneficiaries were the Alliance whose support is now three to four points higher than last autumn. Labour has advanced only in the "grey" middle, probably because of the absence of the strike. The Market and Opinion Research International survey, which confirms the Labour gains (see chart) in last Tuesday's London Evening Standard showed a sharp drop in the number of voters citing trade unions and strikes as one of the most important

UK politics: an open race



Graham Lever

Labour comes back to life

By Peter Riddell, Political Editor

issues facing Britain and increased worry about unemployment, prices and law and order.

Moreover, a detailed breakdown shows that Labour improved its position among the crucial groups of: trade unionists, 18 to 24-year-olds and skilled workers. C2s, among whom it did so badly in 1983.

The result has been to create almost a virtuous circle of success and optimism in Labour ranks.

While attendance to support the leadership in major debates, and later in division lobbies, is often poor, the Shadow Cabinet has some effective debaters who put ministers on the defensive. There is also now none of the apparent tension which developed earlier this year between Mr. Kinnock and Mr. Riddell when Labour failed to exploit the sterling crisis in January. Mr. Kinnock is now clearly in the driving seat in both the Shadow Cabinet and the national executive committee.

But just as Labour was written off too easily in the past, so its continuing problems can be too easily underplayed now. For

instance, both Mr. Peter Shore and Mr. Michael Cooks, the long-serving Chief Whip, are likely to face close-run reselection battles. Moreover, there are the series of trade union ballots over the existence of political funds, and hence support for Labour. Despite the hostility to such funds shown by polls, a combination of low turnout and the Government's unpopularity could mean that only a few, mainly white-collar, unions vote against their continuation.

A problem of reconciliation remains within the party. The hard-left may be isolated but they have not given up the fight. There could therefore be trouble at the party conference in October over rate-capping and over the desire of some inner city parties to set up separate black sections. Jibs about a Ramsay MacDonnell and a Wilsonian approach indicate a gap with some party members which Mr. Kinnock may have to bridge.

There has been a shift in the emphasis of policy. The approach set out in the Jobs and Industry Campaign launched last Tuesday was deliberately

cautious resting on the view that in 1983 voters did not believe Labour's promise to slash unemployment. Now the stress is on winning credibility by avoiding ambitious commitments and wholesale nationalisation proposals and, instead, by talking about wealth creation, an industrial strategy to revive manufacturing, and a speedy acceptance of new technology.

This rhetoric is too much like Harold Wilson's "white heat of technology" speech of 1963 for some activists who want to hear more references to the class battle.

A major question mark remains over the place of counter-inflation or incomes policy in an expansionary strategy. Mr. Roy Hattersley, the "shadow" Chancellor and a supporter of incomes policy, has said that unions will know that restraint of money wage increases is the way to reduce unemployment. But unless commitments here are made firmer, this could be a weak spot for Labour. A similar electoral embarrassment may be the pledge to remove all U.S. nuclear bases from Britain as part of a non-nuclear strategy, despite the promise to remain within Nato and to expand conventional defences.

The final qualifications to Labour's optimism is that at this stage of a parliament the main opposition party is normally far further ahead of the Government. In 1971-72 and in 1980-81, before the formation of the SDP, Labour was up to the 50 per cent level. The snag for Labour is the continued existence of the Alliance with around a quarter of the electorate and nearly a third of the vote in local council elections. Moreover, the Alliance stands to be the main gainer in the forthcomingshire county elections on May 2, partly because Labour did very well when these seats were last contested in 1981 when the SDP had only just been launched. And the Labour strongholds of the big industrial cities and London are not being fought this year.

The Alliance is, on paper, more of a threat to the Tories, where it is second in many parliamentary seats in the House of Commons and the south, rather than to Labour. But the Alliance may take sufficient votes and seats (even only 50 or so) to prevent Labour from gaining the 117 seats it needs for a bare Commons majority.

So, while the Labour leadership may be justified in claiming that British politics is now on an open race again, Dr. David Owen, the Social Democrat leader, may also have been right to argue, in his Thames television interview on Thursday, that it is a three-horse race and will be so right up to the finishing post.

Weekend Brief

Round pegs, square hole

THERE'S nothing special about a town planner treading warily to avoid controversy. But when it comes to Warsaw's Victory Square, then the city's chief architect becomes more than usually defensive.

Few places in Europe harbour so many troublesome ghosts and the square, even today, seems to symbolise Poland's unsolved political problems.

The square achieved international notoriety, a couple of years ago when the authorities decided it needed refurbishing

and pulled up the surface. The decision was precipitated by a group of people who insisted on placing a massive floral cross in the centre.

The cross commemorated the victims of martial law and the banning of Solidarity. Each time it was cleared away, it reappeared. People assume that the desultory work being carried on behind a tatty grey fence will continue until the authorities are sure the cross won't come back. Given the present mood, that could still be some time away. Mr. Zdzislaw Koztrewa, the city's chief architect, says it will be another two years before the square reopens.

He is talking about the surface; of course, but more long range plans are afoot to rebuild a couple of historic buildings blown up by the Germans at the end of the occupation. Which is a pity because one of these, the Saxon Palace, was

inhabited in the 18th century by King Augustus III of Poland and Saxony and the other, the rococo Bruhl Palace, by his chief minister, Heinrich von Bruhl. By a strange coincidence, the latter's direct descendant, Count Dietrich von Bruhl, is at present the Number Two at the West German embassy in Warsaw.

He says he is delighted that the house might be rebuilt. But the authorities are not mulling over whether to incur the expense of further reconstruction to underline past links with the Germans. The impulse to rebuild the Saxon Palace comes from the Polish military which has come to play an important role in Polish Communist politics and would like to leave a monument should they ever have to fade back to barracks. The idea is to put the national military museum inside the Saxon Palace.

Polish generals remember

that before the war the building housed the Ministry of Military Affairs, inevitably associated with Marshal Joseph Pilsudski, the pre-war leader and the victor in the 1920 war with the Red Army. Inside one wing, young Polish mathematicians cracked the German Enigma codes.

The idea is to return the square to its military traditions," Mr. Koztrewa says. That tradition goes back further to the 1820s, when Poland enjoyed a limited, autonomy and the then regent Constantine, the Russian Tsar's brother, devoted much time to colourful parades of the infantry and cavalry dressed in their post-Napoleonic uniforms.

A few years later, the square was razed. The regent, unable to make up his mind where his loyalties belonged, vacillated and then fled the city. The rising sunbathed to superior Russian force a few

months later. To underline its dominance, the Tsarist regime towards the end of the century built a massive Russian Orthodox church in the middle of the square. It towered over the city — quite as much as the present Palace of Culture dominated it. Warsaw by Joseph Stalin.

But a few years after independence came to Poland in 1918, the Russian Orthodox church was demolished. Its foundations remain, however, under the square where, to cap it all, Pope John Paul II spoke to tens of thousands on his first papal visit to Poland in 1979, and the Catholic primate, Cardinal Stefan Wyszyński's funeral mass took place two years later.

The foundations provide Mr. Koztrewa with another headache. He sees the need to put an underground car park beneath the square. They're in the way.

Round one to the flexi disc

IF it were not for the computer revolution, they would probably be called floppy discs. They have been around for a long time—Private Eye used them for its funny giveaway records starting back in the 1960s and they have been in the vanguard of mail order campaigns and all kinds of promotional stunts from Warrington New Town Warehousing to Butlin's ("With Blazing Billy and the Butlin's Boogie Band").

They are certainly floppy, but the name for them in the trade is "flexi". A "flexi" looks from the front like a conventional tin single, but on the flip side it is as smooth as a flattened out sander and from the side it is impossible to see without narrowing the eyes. When the wind blows it wobbles.

They have even turned up on the bottom of cakes. The biggest ever order, manufactured by Sound for Industry (175 Bermondsey Street, London, SE1) was a figure impossible to match in the normal record industry: 13m copies. These discs, about the size of a commemorative crown coin, were attached to the bottom of a brand of cake sold in Spain, where they may or may not have improved the taste.

Where the flexible version does not turn up is in the record shops. Sound for Industry once manufactured a Jonathan King ditty entitled The Sun Has Got His Hat On. A record of the Pope, uttering a blessing for his visit to Britain, was stamped out by Flexi Records (Unit 1, Maritime Industrial Estate, Horizon Way, London SE7). The same company, acting for once as publisher as well as manufacturer, produced a record of



the legendary Charles and Di engagement interview.

These three flexible discs were sold to the public, but they failed to cause a revolution in the trade. Restrictive practices are rumoured; certainly, with a flexi version costing about a fifth of its stiff cousin in terms of manufacture, there are vested interests at stake.

So the floppy discs are sold, if at all, as part of a package, attached, for example, to a Teach Yourself the Irish Tin Whistle bumper bundle. Often they are given away, to remind anyone who forgot the TV ad for "Helpful Gas People," or to sing the praises of McCain's Deep 'n' Delicious Pizzas, to quote a couple which would be unlikely to reach the Top Twenty on their own unaided merits.

Any collector stumbling across an item entitled Putrid Evil, in which a group called Septic Death performs a number called "Poison Mask" (or possibly it is Poison Mask performing "Septic Death") might imagine that is Sound for Industry's most bizarre job. He would be wrong.

Pride of place in that hit parade goes to a little number which Robert Maxwell presented to employees of his BPC when

he changed the logo. Startled workers were able to watch their boss's photograph (arms outstretched as if measuring a fish which got away—The Observer, perhaps) revolving at 33 rpm, while his deeply ominous tones grunted on about "the keys to future expansion." In all it makes for the world's longest three minutes.

Banzai! And TV was invented

WE CANNOT, of course, ask John Logie Baird what he thinks of the present state of his brainchild, television, because he has been dead for 30 years. But there is a man alive today who also invented a television in 1826, just a few months after Baird displayed his prototypes in what is now Bianchi's restaurant in Soho, and who is still very much going strong, tinkering with the innards of the box and happily discoursing freely on times past and present.

In fact, as far as every Japanese is concerned, the father of television is not Baird or Zworykin, the Russian émigré, or any of the other legitimate contenders for the honour. He is Kenjiro Takayanagi who, on Christmas Day

1926 succeeded in transmitting on a screen the Japanese katakana character, which is pronounced "tak". He looked rather like a lopsided capital "T". Moreover, whereas the Baird invention was purely mechanical, Takayanagi's used an electronic device—the Braun tube—and thus, to cut a complex technological argument short, can be said to be the ancestor of what television subsequently became.

Today, Takayanagi is a fit and nimble 86-year-old, his golf clubs stacked just off the front hall of his pleasant house overlooking the sea—and, on a clear day, Mount Fuji—in the town of Zushi, 40 miles west of Tokyo, bear signs of frequent use. With 122 patents to his name, he still considers himself above all an inventor and a television man. First a professor, he had been put in charge of televising the Tokyo Olympics of 1940, which never took place after the war, he went to work for Japan Victor, now JVC, the consumer electronics firm, from which he finally retired a few years ago.

Most of his early machines and records were destroyed in the war, but he was able to preserve enough notebooks and photographs. In any case, his memory shows no signs of failing. A purist to the last, he sneaks in conversation only of "television," never using the common Japanese word "terebi," or TV.

His views on the television of today fall roughly into two parts. Technically, he insists it is still not what it might be. He is disappointed that it remains only two-dimensional and believes the quality of picture is different (he has a theory that different nationalities see colours differently). "It only serves our minimum requirements today," he argues. This leads on to his second contention, "that television should be our servant, not our master." He does not believe,

for example, in State-owned broadcasting systems. "People using their own wisdom, should be able to make the best use of it by themselves." He says he always has held this view, recalling that back in 1924, he wrote an article envisaging that every household in Japan would have a television—colour, too—that would serve as "a human eye" travelling round the world. Even in those days, he looked forward to the idea of tuning into Davis Cup tennis from Paris or London.

But he is also very obviously proud of television. "People believed, from the beginning, that television would be a mainstream of electronics—and it has been," he says. "The computer, which was derived from the pulse of television, and the electronic microscope, and so on."

As a Japanese, Takayanagi does not necessarily feel that his countrymen lack, as they are sometimes said to, the spirit of invention. "In the old days, maybe one genius working on his own might come up with something totally new, but even then you had to put a lot of effort into being so lucky. Now, in this information age, there is no chance really of being first. We need a collective approach, of several people—with the right scientific background, of course—co-operating to one end." Which is, of course, something at which the Japanese are supremely good.

But a visitor to the Takayanagi home is struck by the fact that his living room boasts a lot of stereo equipment, but no television. "An eyebrow is raised: 'actually, I have a couple upstairs.'"

Contributors:
Christopher Bobinski
Jonathan Sale
Jurek Martin

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UK COMPANY NEWS

Alexander Nicoll looks at Saatchi & Saatchi's changing image

The base for an expanding network

Saatchi and Saatchi did not need the haunting strains of the Flower Duet from Delibes' opera Lakme... The £99m issue of convertible preference shares, though closely following last November's £50m placing of ordinary shares, caused barely a blip in Saatchi's share price.

The sub-underwriting was completed by 11.30 am, with institutions apparently eager to take Saatchi paper offering 6.3 per cent income in contrast to the traditionally low-yielding ordinary shares.

The City, it seems, has not been deterred by Saatchi's hectic run of acquisitions, which have taken it far beyond the realms of advertising and into a more loosely defined role as a provider of business services on a global basis.

Saatchi, initially made famous by its campaign for the Conservative Party, needed to be the largest advertising agency in the UK. It includes, Saatchi and Saatchi Compton Drindall, and various agencies grouped into Crawford Hall Harrison Cowley.

Growth in this field is continuing. The London agency is celebrating £15m worth of new business from MacDonalds and Great Universal Stores.

There have been small acquisitions in the past year: the regional UK group Harrison Cowley, Cochrane Chase Livingstone in California, and Hedger Mitchell Stark in London.

The thrust of its advertising growth has been the global marketing of brand names, its

extravagantly-produced three-part annual report, just published, asserts: "The most advanced manufacturers are recognising that there are probably more social differences between midtown Manhattan and the Bronx, two sectors of the same city, than between midtown Manhattan and the 11th Arrondissement of Paris."

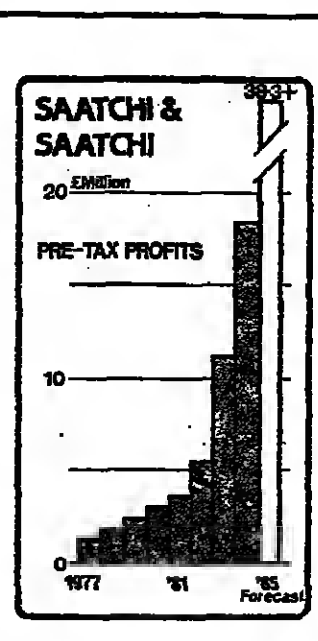
Saatchi cites other worldwide factors as responsible for this trend: the decline of the nuclear family, the changing role of women, higher living standards in the industrialised world and, perhaps most importantly, television—politely referred to as "cultural convergence."

Advertising is a highly fragmented market—Saatchi reckons that it has about 1 per cent of the world market and 7 per cent of the UK market. This would suggest further growth potential. But only relatively few companies have the ability or need to market their products on a global scale.

The company therefore sought to offer a broader range of services to companies, both domestically and in individual countries and working across borders. The result has been a bewildering flurry of acquisitions which, it says, have taken it into all the market areas it wishes to penetrate but represent merely the base for future growth into a larger worldwide network of business services.

Management consultancy, The US-based Hay Group, acquired last year for about US\$100m (£65m), has 84 offices in 37 countries. The deal includes advice on pay structures, improving efficiency, and careers as well as management selection and recruitment.

Marketing services. These include direct marketing (Kleider



Mr Maurice Saatchi, the recently-appointed chairman

A New York company bought last year for \$15m, says promotion (Howard) Marlboro, for which an agreement was announced on Thursday, public relations (Rowland, a New York firm bought last month), and design and corporate identity (Siegel and Gale, announced Thursday). Saatchi has also bought Infocom, a UK organiser of corporate conferences and audio-visual presentations.

Market research. Saatchi moved into this field last October with the purchase of two US companies, Yankelovich Skelly & White and McBer and Co.

Such rapid growth inevitably raises eyebrows in the City, which has witnessed equally rapid declines of former stock market favourites. Can Saatchi effectively manage so many new companies in fields where it has little or no experience? What happens to the acquired companies— which have few assets except their staff—when the "earn-outs" have expired? Most of the purchase prices are based on the acquired companies' profits for the next few years, thus providing strong near-term incentive to perform.

There must also be questions about possible conflicts between the client lists of group companies, and whether they can

effectively work together to provide integrated packages of services to corporate clients.

More fundamentally, the global market for some of Saatchi's business services remains untested. So is its ability to cure a subsidiary which runs into problems. Saatchi has expanded its central financial executive staff by about 50 per cent since the latest round of acquisitions began and has strengthened reporting systems. Subsidiaries, however, maintain a large degree of autonomy.

Given that autonomy, the relationships between group companies are still in the melting pot as they delicately test out the potential for co-operation.

Saatchi says it has not so far lost a single client from any group company as a result of an acquisition. But this perhaps demonstrates their independence from each other rather than their ability to work together.

One Saatchi executive says: "Saatchi as a whole is informally getting together. The units are still autonomous, but bridges are being built on specific pieces of business. The bulk of our working together so far has been on leads and introductions to clients."

Amidst its extraordinary growth—Saatchi aims to generate a minimum 20 per cent increase in earnings per share each year excluding acquisitions—the company is not losing its reputation for innovation.

On Thursday, Mr Maurice Saatchi, just appointed chairman, was brandishing a copy of the French magazine Le Point. In it was the Charlie Chaplin ad for IBM. If you touched the computer keyboard, it played a tune.

Enterprise has 4.7% stake in Tricentrol

By Ian Hargreaves

THE HOLDER of the mysterious 4.7 per cent stake in Tricentrol, the UK independent oil company which has been the source of much recent bid speculation, has been identified as Enterprise Oil.

Stockbrokers James Capel informed Tricentrol on Thursday that the 4.7 per cent holding passed to them by Jobbers Ackroyd and Smithers is beneficially held by Enterprise.

Enterprise denied that the move indicated any hostile intent. "There are no plans for an imminent bid," it said. The company said it would not release an official statement, since it refused to comment on market rumours.

Tricentrol's shares, however, rose by 15p to 250p. Enterprise has frequently spoken of its reluctance to enter a bidding war in pursuit of the expansion it has planned ever since its creation by Government, but it may well be interested in an alliance with Tricentrol.

Mr Graham Hearne, Enterprise's chief executive, was chief executive of Tricentrol between 1981 and 1983.

New venture losses hit Ash & Lacy

IT WAS A tough 1984 for Ash & Lacy, maker of perforated metal and steel cladding, and galvanizers. Profits before tax fell from £3.1m to £2.87m on turnover up

from £5m to £5.2m. Mr J. F. Vernon, the chairman, says the disappointing outcome is largely the result of initial operating losses incurred by the group's two new ventures—Western Galvanizers of Hereford, which lost £142,000, and the Flosspan product, where the deficit was £250,000.

Of the four established businesses, three did better than last year, with only Joseph Ash & Son showing a downturn in trading profits.

The directors are to hold the dividend at 20p net per share for the year with an unchanged 12p final. Earnings per share fell from 56.3p to 32.9p after a £433,000 higher tax charge of £1.49m.

The chairman reiterates that it will take a "few more months" before Western Galvanizers completes the loss-making contracts to which it was committed at the time of purchase in January last year.

The launch and start-up of the Flosspan frameless building has also been costly. The order position is now improving, says the chairman, and he hopes to achieve a break-even position by the end of 1985.

Berisford moves into U.S. precious metals with £28m purchase

BY LIONEL BARBER

S. & W. Berisford, the sugar processor and commodity trader, yesterday announced a \$33m (£27.6m) acquisition to expand into precious metals and bullion trading in the U.S.

The UK group is buying NGI International Precious Metals, a New York-based trader, which has close connections with the U.S. gold market.

"This acquisition gives us more expertise in an area where we very much hope to grow in the future," said Mr Harold Wiltshire, a main board director at Berisford.

Berisford trades in precious metals through its subsidiary Rayner, but the business is minimal compared to its main activities in soft commodities such as sugar and cocoa.

Market reaction appeared generally favourable with Berisford's shares down 3p on the day to 161p. One broker said the acquisition appeared to be a move to create a triangle of commodity businesses: broking, merchanting and processing. "This Berisford is a good fit," Berisford is buying NGI through its U.S. subsidiary.

There are six advantages in using Erlanger as the vehicle for the acquisition. Two years ago, Berisford was forced to close Erlanger Tibular Works in the U.S. at a cost of £23.5m below the line. Berisford's U.S. operations are now grouped under Erlanger and NGI's profits can be offset against Erlanger's accumulated losses, Mr Wiltshire said.

Last January, Berisford reported pre-tax profits of 1984 up from £55m to £58m on £3.7m turnover. But Mr Ephraim Margulies, the chairman, warned shareholders last month that group profits for this year would fall, with the first half to be worse than the second half, though an upturn in international trading could alter the picture.

Mr Margulies has been appointed chairman of NGI and Mr Howard Zuckerman, an associate director of Berisford, has also joined the NGI board.

Leyland Paint planning to merge with Kalon

THE TROUBLED manufacturer of decorative paints, Leyland Paint and Wallpaper, is to merge with the more successful private paint and chemicals manufacturer Kalon.

No financial details have been disclosed but the deal, which will see a stock market quotation, Leyland's shares have been suspended at 24p.

In the first half of 1984, Leyland made pre-tax profits of £343,000, after two years of losses. In 1983 year, Kalon made a profit of £275m pre-tax on sales of £58m.

About two-thirds of Kalon's turnover consists of paint, with two-thirds of paint sales consisting of own-label manufacture for retailers such as B and Q and the CWS. The rest is sold under the Homecham brand. The remainder of Kalon's sales comprise general chemicals and polymers, plus £2m of turnover in own-label wallpaper.

Mr Leslie Silver, Kalon's chairman, is to head the enlarged group, and Mr James McDonald, managing director of Leyland, will become deputy chairman. Mr Ashby Thomas, Leyland's chairman, will continue as a non-executive director of the new company.

Mr Silver is a well-known figure in the UK paint industry, and his company claims a 16 per cent share of the UK retail market for decorative paints.

Although a issue of shares is likely to be involved—perhaps through a placing—Mr Silver stressed that Kalon itself was not in need of any capital.

He said: "It may well be that 1 or 2 members of my family may find it convenient to realise some of our investment. In any event, the family is likely to retain a controlling stake in the merged company."

Petrolx defence comes under attack from Clyde

Clyde Petroleum, which is making an £11.7m contested takeover bid for fellow independent oil company Petrolx, has attacked as "grossly misleading" the 141p a share valuation put forward by Petrolx in its defence document.

Clyde's cash offer is worth 76p a share. Petrolx shares closed unchanged on Thursday night at 75p.

Clyde said that Petrolx had placed great emphasis on a report from EFC, Energy Resource Consultants, but it was "quite unrealistic" in place reliance on this in appraising the real value of the shares.

It said £15.5m was a totally unrealistic market value to place on Petrolx's interests in the Forties field, very little value could be attributed to £5m of explorations prospects and reserves, and there was a considerable risk that £25m of technical reserves would never be converted into commercial reserves.

Clyde added that Petrolx's valuation took account of exploration expenditure which could not be funded without the injection of further capital.

But last night Mr Jim Lindars, managing director of Petrolx, described Clyde's comments as "weak." He said: "Our argument is not that market value should equal appraised value, but that the discount should not be as large as the 47 per cent implied by Clyde's offer."

Sparrow dives over £1m

SHARPLY HIGHER losses by its UK crane hire and heavy lift contracting activities and lower returns from Saudi Arabia drove down the share price of Sparrow and Sons down by over £1m.

The final dividend is being cut by 1p to 0.35p leaving shareholders with 0.75p for the year, compared with 1.75p previously.

Turnover pushed ahead from £21.85m to £23.03m, but at the pre-tax level profits tumbled from £1.35m to £284,000.

Depreciation, net interest charges, staff and other operating costs all took more and the share price of related companies fell from £941,000 to £97,000.

A divisional breakdown of pre-tax results shows crane hire and heavy lift contracting UK £1.26m (1984 profit of £1.26m) and overseas division and related companies £87,000 profit (£704,000 profit), equipment sales and fixed asset disposals £849,000 profit (£77,000 profit) and offshore industrial services £841,000 profit (£822,000 profit). Plant hire costs accounted for £42,000 (all year) (£24,000 profit).

The directors say the results were disappointing but not unexpected. They have made moves to correct the situation in crane hire and are confident of better results in 1985.

Mr Rod Hartley, Entrad's managing director, said: "Total is too uncertain of its profit forecast that it is now trying to excuse its existence by claiming that we asked for one. In fact we never asked for one—this one should not have been made. A forecast for the whole year based essentially on one month's management accounts, cannot be given any credence."

Tyazek Turner—Offering shareholders scrip in place of cash in respect of the interim dividend, not a one for four scrip issue as reported last week.

Watts Blake Bearn & Co—One for five.

Rights Issue

Aaronson Bros—To raise £5.5m through a one for four rights issue at 32p per share.

LASHO—To raise £87.3m through a one for four rights issue at 285p per share.

Newman Industries—To raise £3.2m through a one for three rights issue at 36p per share.

Queens Most Houses—To raise £25m through a rights issue on the basis of one £1.7 per cent conv cum red pref share for every seven shares held.

Scottish & Newcastle Breweries, which is making a £100m takeover bid for Matthew Brown, has increased its holding in the Blackburn-based brewer to 13.8 per cent.

The offer for sale for Wayne Kerr, the electronic test equipment company, was more than 20p above the market price.

KCA Drilling N. Sea link-up

By Ian Hargreaves

KCA Drilling, the independent UK oil drilling and engineering company, has joined forces with the Motherwell Bridge engineering group to form a service company for North Sea platforms and other offshore hardware.

Rigwrights will use land bases owned by the two companies at Aberdeen, Leith and Lerwick in the Shetland Islands to offer maintenance, repair and refurbishment of drilling rigs, topside structures (equipment placed on the drilling platform) and sub-drilling equipment as blow-out preventers and cranes.

Rigwrights also hopes to win a share of the growing North Sea business of hooking up newly installed drilling units. The company will also seek work modifying drilling rigs and production platforms, which is also expected to be a growth business as the emphasis in the North Sea switches to smaller, less profitable fields.

Both companies see the repair and maintenance sector of the North Sea as a major opportunity, but say they also intend to develop rigwrights in overseas markets. Motherwell Bridge is a privately-owned engineering group with about 3,000 employees.

MJI seeks to abandon sale as Leigh bids

THE BOARD of MJI Corporation, which six weeks ago agreed to sell its waste disposal division for £6.7m cash, now wants to abandon this deal and accept a £4.3m all-paper takeover bid for the entire group from Leigh Industries, an industrial waste disposal contractor.

MJI—an industrial investment company formally known as Maurice James Industries—announced in February that it had agreed in principle to sell its waste disposal division to Shanks and McEwan, a private, Glasgow-based civil engineering and construction concern.

Since then, the company has received an offer from Leigh which MJI and its financial advisers, Samuel Montague, said represented a more attractive alternative for shareholders.

Mr Martin Meade, MJI chairman, added that a takeover by Leigh would have a beneficial longer term effect on both companies. It would also allow the large proportion of MJI shareholders who had been attracted by the company's waste disposal interests to remain with this sector.

Leigh, which is advised by Kleinfelder, is offering one of its ordinary shares for every five MJI. On the basis of Thursday's Leigh closing price of 86p down 1p on the day, each MJI share is valued at 18.2p. MJI shares closed on Thursday at 17.5p, up 21p on the day.

Leigh, which has staged a substantial profits turnaround under the chairmanship of Mr Bill Pryns, estimates that it made pre-tax profits of £1m in the year to March 31, nearly doubling the £500,000 of 1984. It is proposing a final dividend of 2p, making a total for the year of 3p—up some 50 per cent on 1984.

Mr J. F. Vernon, the chairman, said MJI's waste disposal division operated in areas geographically complementary to Leigh's existing operations and would provide an excellent opportunity for Leigh to improve its position as an important waste disposal operator in the Midlands.

The take-over is conditional on MJI shareholders voting at an extraordinary general meeting on May 17 against a resolution permitting the sale of the waste disposal business to Shanks.

Identified which are surplus to the group's key trading activities and these will be disposed of when a suitable opportunity arises.

Prospects for Centway's key trading subsidiary are "encouraging" and the directors believe that a satisfactory trading result will be achieved by the group for the current year.

Their strategy is to move the company's core investment base from component manufacturing and vehicle distribution towards areas offering greater certainty of long-term growth.

The chairman reiterates that it will take a "few more months" before Western Galvanizers completes the loss-making contracts to which it was committed at the time of purchase in January last year.

The launch and start-up of the Flosspan frameless building has also been costly. The order position is now improving, says the chairman, and he hopes to achieve a break-even position by the end of 1985.

Dividends are shown net of tax per share except where otherwise indicated. † For 17 months to the end of 1983. ‡ For 14 months. § Equivalent after allowing for scrip issue. L. Loss.

Take-over bids and mergers

Sedgwick, the largest independent insurance broking concern in the UK, and Fred S. James, part of the U.S. combine Transamerica Corporation, have agreed to merge. The deal, to be effected via the issue of Sedgwick paper, will give Transamerica a 39 per cent holding in the combined group, but only 29 per cent of the voting capital.

Allied Textile, the Huddersfield-based manufacturer of worsted suiting cloths and carpet yarn supplier, has dismissed a takeover approach from London and Midland Industrials, which launched its bid following the purchase of a 13.3 per cent stake.

Williams Holdings increased its offer for J. & H. B. Jackson and gained approval. Banro has rejected an increased and final offer from C. H. Industrials. The offer value, Banro at around £6.4m.

C. D. Bramall has revised and slightly reduced terms for Manor National.

Company	Value of bid per share	Price before bid	Value of bid	Bidder
Allied Textile	535	505	430	London & Midland
ASR Hedges	440	445	365	Manor Nat
Banro Inds	116½	111	66	6.34 C.H. Industrials
Bombardier	32½	30	23	1.12 Promotions Hse
Booker McConnell	261½	248	259	336½ Dec Corp
Brown (Matthew)	445½	445	333	100.48 Scot & Newcastle
Dunlop	23	66	71	33.08 BTR
E of Scot Oshres	61	62	64	Ind Fin & Inv Co
Energy Services	87½	82	64	32.94 Peak Hedges
Forster Bros	220½	218	226	103.28 Sears Hedges
Haden	240	300	232	37.18 Trafalgar House
House of Fraser	400	396	346	430.92 Al Fayed Inv & Trust (UK)
Hurst (Charles)	200	185	190	4.32 Garvagh Sees
Imed Business Sys	40	40	40	5.40 Wheelabrator Intl
Inglis	80	87	73	7.30 GJ Midland Co-op
Initial	558½	524	533	170.81 BET
Jackson J. & H. R.	120	117	84	28.47 Williams Hedges
Lake & Elliot	80	80	61	7.95 Suter
Manor National	11½	10	11	2.00 Bramall (C.D.)
Martin (R.P.)	490	440	420	43.65 Quadrex
MJI Corp.	19	17½	13	4.23 Leigh Industries
Petrolx	75	78	50	11.71 Clyde Petroleum
Routledge & Kegan Paul	407½	380	253	4.64 Assoc Book
Secombe, Mrshll	440	415	320	7.04 Cidecorp
Times Vencer	20	54	48	1.41 C.D.I. Hedges
TNG Group	126½	115	75	1.67 Smurfit (J.I.)
Tootal	72½	72	63	128.46 Entrad Corp
Trident Computer	51½	75	70	2.04 Park Place
UBM	189½	185	159½	111.59 Norcoros
Waring & Gillow	160	147	155	24.95 Hopesdale

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on April 5, 1985. *** At suspension. §§ Shares and cash. §§§ Related to NAV to be

SUMMARY OF THE WEEK'S COMPANY NEWS

PRELIMINARY RESULTS

Company	Half-year to	Pre-tax profit (£000)	Interim dividends* per share (p)
AB Ports	Dec	6,400 (14,500)	— (23.9) 8.5 (8.5)
Adcom Int'l	Dec	1,600 (367)	3.6 (1.8) 1.0 (0.8)
Alida Hedges	Dec	1,250 (888)	16.3 (13.3) 2.75 (—)
AMEC	Dec	27,100 (26,100)	29.8 (27.9) 11.0 (10.0)
Arcoelectric	Dec	227 (137)	3.1 (1.4) 0.85 (0.4)
Arcoelectric Hedges	Oct	358 (400)	14.9 (1.0) 1.2 (1.2)
Auto Sec Hedges	Dec	6,290 (4,900)	10.8 (8.2) 1.9 (1.0)
Barru Hedges	Dec	806 (512)	— (—) 4.3 (3.3)
Berk & Hay Hill	Dec	192L (307) L	— (—) — (—)
Beaufort Group	Dec	710 (588)	11.9 (10.4) 4.5 (4.0)
Blackleys	Dec	1,370 (1,010)	60.9 (39.1) 21.0 (15.5)
Bodycote Int'l	Dec	1,780 (1,030)	14.2 (8.6) 4.5 (3.3)
Bodycote Int'l	Dec	1,170 (870)	13.1 (9.2) 1.75 (1.2)
Bree & Clond Hill	Dec	1,100 (1,590)	10.7 (13.6) 8.9 (8.5)
BSG	Dec	4,210 (3,272)	1.0 (1.0) 1.0 (1.0)
Christies	Dec	17,250 (9,740)	38.5 (21.5) 11.0 (8.5)
Clay, Richard	Dec	1,290 (1,110)	8.5 (7.7) 3.73 (3.3)
Cookson	Dec	55,800 (21,700)	76.6 (26.3) 12.5 (10.2)
Earl of Witney	Dec	151 (24)	22.0 (0.2) 1.15 (1.15)
Eastern Produce	Dec	21,810 (11,170)	97.8 (42.1) 1.9 (1.0)
Empire Store	Jan	3,090 (1,130)	6.0 (3.1) 2.5 (1.25)
Evered Hedges	Dec	3,440 (609)	12.2 (8.5) 2.3 (0.5)
Garton Hedges	Dec	487 (1,286)	9.8 (6.7) 3.0 (2.5)
Glyned Int'l	Dec	26,500 (31,500)	— (—) 9.25 (7.85)
H&E	Dec	92,200 (122,100)	— (—) 25 (23.0)
Higgs & Hill	Dec	7,190 (6,060)	42.6 (44.3) 7.3 (7.0)
Hyman (I. & J.)	Dec	1,620 (891)	4.2 (3.4) 1.5 (0.5)
Iris Johnson	Dec	12,420 (6,210)	28.1 (14.1) 8.0 (6.5)
Ind Scot Energy	Dec	3,730 (131)	22.8 (—) — (—)
Jacob, John I.	Dec	1,300 (191)	3.8 (2.6) 3.3 (3.2)
Lambert Howarth	Dec	1,570 (2,319)	23.0 (18.6) 5.75 (3.54)
Laird Group	Dec	24,120 (31,080)	30.7 (17.3) 5.5 (5.0)
Lasmo	Dec	113,000 (80,000)	— (—) 7.7 (7.0)
Lorlin Elect	Dec	812 (587)	9.8 (5.8) 1.5 (0.75)
Liaread	Dec	71 (595) L	— (—) 1.5 (0.1)
Magna	Dec	64 (641)	7.0 (11.5) 2.6 (2.3)
M&E	Dec	353 (1,300)	2.3 (12.4) 1.0 (1.0)
Martin (Albert)	Dec	1,120 (171)	9.0 (4.4) 3.0 (2.25)
Morrison (Wm)	Dec	11,730 (9,990)	13.8 (12.7) — (—)
Newarthill	Oct	16,360 (16,910)	65.4 (61.7) 11.0 (10.0)
Pearson	Dec	99,400 (77,400)	57.

MONEY MARKETS

ORANGE JUICE 16.000 lbs. cents/lb.					SPOT PRICES—Chicago long lead				
	Close	High	Low	Prev.					
May	159.70	160.00	159.50	159.75	Sept	336.2	336.4	337.2	
Sept	159.00	159.50	158.75	159.00	Oct	347.2	348.4	348.6	
Jan	157.75	158.00	157.50	157.75	Nov	352.7	352.2	351.0	347.0
March	156.50	156.75	156.25	156.50	Dec	348.0	348.0	348.0	346.4

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1970-71	1970-71	1970-71	1970-71

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